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Pressure and Organisational Change in the Digital Age

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Strategy Transformation in Response to Changing Environmental Conditions in Swiss and UK Legacy News Organisations over the Past Decade

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Abstract

This study investigates the relations between the corporate culture, organisational sensemaking of environmental changes, strategy responses, and market performance of news media organisations in a time of technological change and the financial crisis in the UK and Switzerland. This study asks the key question how news media organisations adapt to environmental change in order to remain successful on the audience and advertiser markets. The goal is to assess how the responses to challenges and opportunities of the digital age of major Swiss news organisations deviate from successfully innovating UK news organisations.

Analysis is based on longitudinal (1) qualitative content analysis of main statements and events concerning online activities per year and (2) quantitative content analysis of corporate culture, corporate sensemaking, strategic transformations, and market success statements in annual reports of three major Swiss and two exceptional UK news media organisations from 2005 to 2013/14, i.e., the *NZZ Mediengruppe*, *Tamedia* and *Ringier* in Switzerland as well as the *Guardian Media Group (GMG)* and *Daily Mail and General Trust (DMGT)* in the UK. Both, *GMG* and *DMGT* are known to be strong innovators and, compared to other UK news organisations, are seen as successful. Thus, the variance in the UK cases is small and a comparison between Swiss and UK cases are not exemplary for Swiss or UK news organisations in general. All five news organisations are big players in their countries with national news outlets that have a comparably high audience reach. Further, the analysis is primarily based on annual reports, and it is important to recognise that these are means of strategic corporate communication and contain information about how an organisation represents itself. This strategic communication bias may vary among organisations that have a greater (*Tamedia* and *DMGT*) and lesser or no (*NZZ*, *Ringier*, and *GMG*) need to attract and maintain shareholders. Still, annual reports' statements review the most important events within the past fiscal year, which are worth mentioning to shareholders, and reveal reasonable outlook and future strategy.

Hindering and accelerating factors can explain the advanced stage of online adaptation of the UK compared to Swiss news media organisations. Factors that hinder organisational change toward online activities are a stronger residual fit of print products with the audience market and a lower threat to the organisation's revenue structure in Switzerland. Accelerating factors of organisational change are a change-enhancing corporate culture, an opportunistic interpretation of the environment, and advertising revenue decline related to difficult market conditions. A bad market condition that threatens the organisation's revenue structure works as a catalyst for organisational change if corporate culture allows for an opportunistic interpretation of the corporate environment. Although the major Swiss news organisations transform at a slower pace compared to UK organisations, Swiss news organisations adequately adapt to their specific environmental and audience situation.

In conclusion, a change-enhancing corporate culture is an important condition for a firm's ability to adapt in a constantly changing environment and thus for its long-term survival, from a management perspective. Results also support an ecological view, revealing that pressure from the macro environment on the organisational task environment, i.e., performance on the audience and advertiser markets, eventually causes organisational change.

1. Introduction

The loss of readers and advertisers to online outlets due to the “structural collapse of the readership market” (Kopper, 2004, p. 114) forced newspapers to cut costs and introduce structural changes. Since audiences have increasingly used online information sources, it has been argued for 15 years that “existing newspapers will need to adjust, thrive, or even survive” (Compaine, 2000, p. 55). The first reactions in the news industry were “staff is being laid off, newspaper copies are being reduced in pages, editorial offices are being closed, and a number of services are being outsourced” (Kopper, 2004, p. 115). Yet, still, “The fickle audience is showing itself unwilling to use news media in the numbers necessary to support the mass media finance model” (Picard, 2010a, p. 21). Thus, more fundamental and sustainable changes than “the helter-skelter stripping down of the traditional product” (Meyer, 2009, p. 3) will be necessary for news media management.

Currah (2009, p. 5) describes that “UK news publishers have turned to the web to extend their reach, increase consumer value and loyalty, and generate at least some revenue, mainly from advertising, to compensate for the [print] revenue lost,” which is also true for other news markets. A “market share now means profits later” attitude (Küng, 2008, p. 169) led to increased online activities aiming to collect first-mover advantages. Publishing houses became multimedia organisations (Carvajal & García Avilés, 2008). Yet it remains unclear whether future journalism revenue models can be based on online operations within the industry (e.g., Bruno & Nielsen, 2012; Currah, 2009; Holcomb, 2014; Picard, 2010b). Some practitioners argue that too much has been invested into the online news business (e.g., Tyler Brûlé interviewed by Baigger, 2015) and thin profits set hurdles for innovation (Doctor, 2015).

Despite that “change is no longer a choice for news media managers; it is a requirement” (Picard, 2010b, p. 371), legacy news organisations are found to be slow-moving entities and need time to adapt to their environment (Ala-Fossi et al., 2008, p. 151). From a management perspective, slowly renewing the organisational strategy can threaten the existence of legacy news organisations and thus also threatens the level and kind of publicly relevant information available to a society. To gain an adaptive advantage is described as key for the long-term sustainable market performance (Oliver, 2015). In contrast, from an institutionalism perspective, incremental adaptation is regarded as advantageous for an organisation. In addition, the ecological perspective argues that changing core characteristics of a company actually endangers its survival. According to Doyle (2013, p. 35, emphasis by the author), “media firms have *naturally* adapted their business and corporate strategies”, which implies a pace of transformation that is individually appropriate for different market settings.

This study strives to reveal the development of the relations between environmental change, corporate culture, corporate sensemaking, and strategic transformation for news media organisations. The goal is to understand 1) how selected legacy news organisations in the UK and Switzerland perceive their environment, i.e., consumer and advertiser behaviour regarding online use and competitor’s online activities, 2) which strategy areas are adapted, and 3) whether online activities and further areas of strategic transformation lead to positive market performance. This longitudinal, interpretative research approach is used in order to “understand organisations in the context of their wider environment, not just in the present but also in the context of that firm’s historical past” (Küng, 2004, p. 79).

The study analyses the statements and figures of annual reports of four incorporated legacy publishing houses with national news outlets having a comparably high audience reach, namely the strongly innovating and comparably successful firms *Daily Mail and General Trust (DMGT)* and the *Guardian Media Group (GMG)* in the UK and the *NZZ Mediengruppe (NZZ)*, *Tamedia*, and *Ringier*, which are the top-three publishing houses in terms of revenues in Switzerland (Verband Schweizer Medien, 2013).

2. Theoretical considerations

This working paper regards the launch and development of online operations as a change in the corporate product-market/diversification *strategy* resulting from an *organisational renewal* process forced by *environmental* change. To associate an organisation's strategic responses to the environment, this paper draws on an institutional theory framework developed by the Nobel laureate North (1990), the population ecology perspective (Carroll, 1987; Hannan & Freeman, 1977), corporate strategy (Ansoff, 1965; Küng, Leandros, Picard, Schroeder, & van der Wurff, 2008), and the organisational sensemaking process (Weick, 1995; Weick, Sutcliffe, & Obstfeld, 2005). Previous research on news organisation transformation has fruitfully employed institutional theory or ecologist views, emphasising that the social context within an organisation is embedded into a certain environment (Gilbert, 2005; Lischka, 2015; Lowrey, 2011; Nordqvist, Picard, & Pesämaa, 2010; Steensen, 2009). This pluralist multi-lens approach is designed to help to understand various determinants of a news organisation's market performance and is requested by previous research (Küng, 2004).

The following section discusses the relation between the environment, organisational sensemaking, and strategic decision-making from an institutional perspective. Section 2.2 describes inert versus rapid strategic responses of news organisations to environmental change.

2.1. Environmental change, sensemaking and strategic transformation

According to a population ecology perspective, "Whether or not individual organizations are consciously adapting, the environment selects out optimal combinations of organizations" (Hannan & Freeman, 1977, pp. 939–940). As the environment changes, incompatible organisations are weed-ed out over time. Strategic literature has dealt with the firm's adaptation to a changing environment by means of corporate strategy changes since Ansoff (1965), and claims that successful firms are the ones to change their strategy according to environmental changes. In population ecology, the question of a firm's survival depends on the composition of the population of firms, e.g. within one industry, acting in a certain environment. In strategy renewal, the focus lies on "the effective positioning of the firm vis-à-vis its environment" (Chakravarthy & Doz, 1992, p. 6). The environment is a direct setting of the company and envelops "change in customer tastes, production, or service technologies, and the modes of competitions" (Miller & Friesen, 1983, p. 233). Castrogiovanni (1991) describes the multilevel organisational environment as consisting of macro, aggregation, task, and sub environments as well as a resource pool. Economic and technological conditions are ascribed to the macro environment. Economic or technological changes affect the task environment, which includes "specific customers, suppliers, financiers, and so forth" (Castrogiovanni, 1991, p. 546). When economic conditions and technological change result in an increasingly dysfunctional practice of an organisation on the task environment level, this "turbulent environment triggers adaptive behaviour in organisations" (Blackmore & Nesbitt, 2009, p. 146). Yet environmental change causes a problem for institutions because they are regarded as a source of stability and order (Scott, 2001, p. 181). For institutionalism, the question is how an institution responds to environmental pressure to adopt new structures or practices. One type of pressure potentially leading to institutional change is functional pressure arising from perceived problems in performance (Oliver, 1992). Thus, changes in the environment may not be sufficient to prompt organisational change if the performance level is not affected.

Therefore, environmental cognition has to be translated into strategic action (Bourgeois & Eisenhardt, 1988). Barr, Stimpert, and Huff (1992, p. 15) stress that organisational renewal depends on being able to link environmental change to corporate strategy. To initiate a transformation process, the environment has to be *perceived* as leading to a dysfunctional output by the organisation. Thus, transformation results from a sensemaking process consisting of scanning, interpreting, and responding stages. Sensemaking is regarded as hinge between the level of the organisation and its environ-

ment (Weick et al., 2005) and allows the theoretical combination of corporate environmental perception and strategy.

Institutional theory regards the organisational perception of its environment as socially constructed (Berger & Luckmann, 1966; Meyer & Rowan, 1977; Weber & Glynn, 2006; Weick, 1979; Weick, Sutcliffe, & Obstfeld, 2005). An actor's interpretations and reflections on the external and internal situation of the company are expected to be rationally bounded. Due to heuristics, cognitive structures, and bounded rationality, human decision-making is more likely to be subjectively plausible than objectively accurate (Kahneman, 2003; Weick, 1995). The "interpretations of key organizational problems may themselves be constructions" (Fligstein, 1985, p. 388), because "organizational members are socialized (indoctrinated) into expected sensemaking activities" (Weick et al., 2005, p. 417). According to Weber and Glynn (2006, p. 1648), "(1) institutions prime sensemaking, by providing social cues; (2) institutions edit sensemaking through social feedback processes; (3) institutions trigger sensemaking, posing puzzles for sensemaking through endogenous institutional contradiction and ambivalence." As a result, organisational strategy is shaped by organisational, institutionally determined sensemaking.

"Inertia, inappropriate change, or successful adaptation may result from situated attentional processes" (Ocasio, 1997, p. 202). In their cognitive model of organisational renewal, Barr et al. (1992, p. 18) outline a change in managers' mental models as a result of (1) the attention to changes in organisational environments and (2) the interpretation of that change. The attention-based view of the firm (Ocasio, 1997) defines organisational attention as "distinct focus of time and effort by the firm on a particular set of issues, problems, opportunities, and threats, and on a particular set of skills, routines, programs, projects, and procedures." Maijanen and Jantunen (2014) show that cognition towards the environment constitutes a 'centrifugal' force for strategic renewal of a Finnish broadcaster and emphasise that stability or change "are centrifugal, because they are all, by their nature, path dependent, carrying the accumulations of past experiences in the ways of doing and thinking" (2014, p. 142). Maula, Keil, and Zahra (2013) argue that organisational attention is crucial for perceiving technological discontinuous innovations, which are difficult to understand for incumbent managers due to their existing cognitive schemata or frames and time constraints (see also Barr & Huff, 1997; Barr, Stimpert, & Huff, 1992; Leonard-Barton, 1992; Ocasio, 1997). Discontinuous shifts in technology often occur outside the industry and are described as changing "the fabric of the industry, the rules of competition, and the identity of the industry's participants" (Maula et al., 2013, p. 927). Especially in times of turbulent change as opposed to incremental environmental change, sensemaking based on existing schemata or frames may endanger an appropriate response and eventually the success of the company (Kaplan & Tripsas, 2008; Maula, Keil, & Zahra, 2013). Existing cognitive schemata and frames are described as tool kits resulting from shared cultural and institutional processes (Barr & Huff, 1997; Ocasio, 1997). Corporate culture can be defined as

An interdependent set of values and ways of behaving that are common in a community and that tend to perpetuate themselves, sometimes over long periods of time. This continuity is the product of a variety of social forces that are frequently subtle, bordering on invisible, through which people learn a group's norms and values, are rewarded when they accept them, and are ostracized when they do not. (Kotter & Heskett, 1992, p. 142)

Similarly, Küng (2008, p. 173) defines corporate culture as "accumulated learning shared by a group that has been acquired as it deals with its external environment and internal growth." Hence, the corporate culture constitutes learned or indoctrinated institutional patterns that affect attention to and evaluation of environmental change. The path dependent nature of corporate culture may be contradictory to the nature of organisational change. Yet depending on the frames and schemata related to corporate culture, progressive or preserving mind-sets may predominate. Innovation-

oriented corporate culture can enhance an innovation mentality with corporate agents (Stock, Six, & Zacharias, 2013). According to Stock et al.'s (2013), a *change-enhancing corporate culture* is related to flexibility of employees, emphasis on creativity, and openness to innovation.

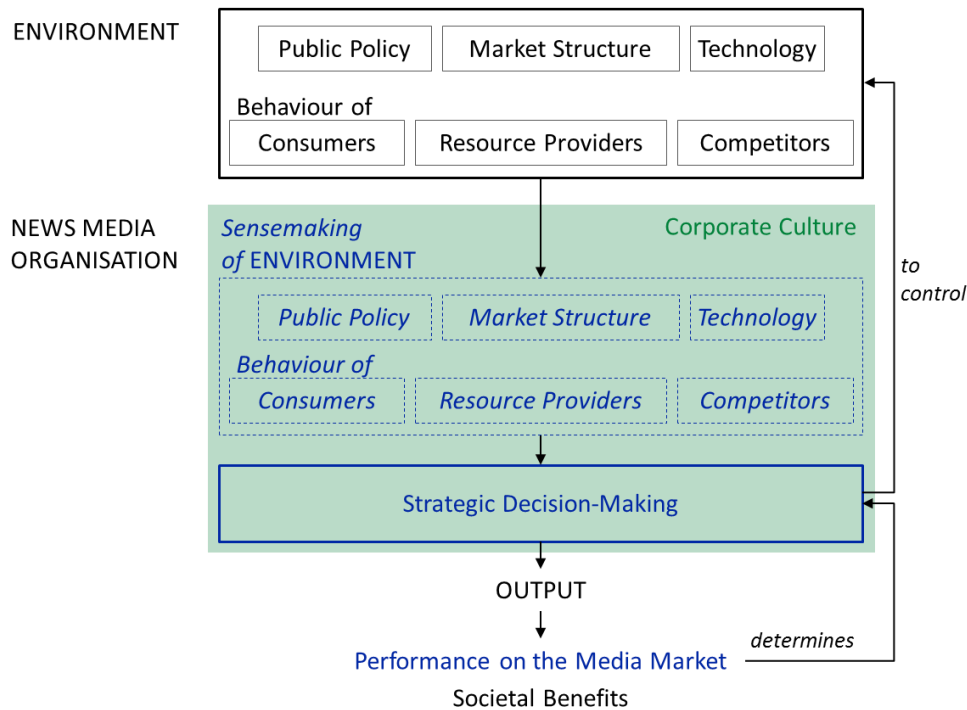
The introduction of new technology can be competence-destroying or competence-enhancing for an organisation and thus can initiate institutional change (Tushman & Anderson, 1986). For news organisations, the “first challenge for incumbents is to diagnose the nature of any technological change correctly” (Küng, 2013, p. 10). An interpretation of advertising revenue decline as a cyclical instead of a structural change may not trigger organisational transformation. This misinterpretation of environmental change can lead to a competitive disadvantage if other news organisations’ interpretations are correct. Because “seeing isn’t believing” (Barr & Huff, 1997) and many people hold different beliefs about the environment, different organisational responses evolve (Barr & Huff, 1997).

The theoretical model for combining the environment, organisational sensemaking, and strategic decision-making is based on Hendriks’ (1995, p. 72) model of coordination strategies in media organisations, which is extended with the perceptions of the environment according to Ocasio (1997) and Barr and Huff (1997). The resulting model is illustrated in Figure 1. Hendriks’ model describes the media company’s environment consisting of (1) the broader environment, i.e., market structure and public policy, to which the present researcher adds technology since “media industries are heavily reliant on technology” (Doyle, 2013, p. 17), and (2) the closer environment, i.e., behaviour of consumers, resource providers, and competitors. These components of the corporate environment correspond to the macro and task environment of Castrogiovanni (1991). Hendriks (1995, p. 67) describes the relation between environmental change and organisational transformation as follows: “As a consequence of the continuously changing economic, political, technological, and cultural macro environment, the structure of the business environment evolves and media companies adapt their strategy and the implementation of it, thereby influencing and changing this same environment.” The public policy and the market structure set the parameters for the news organisation.

Hendriks (1995, p. 65) defines the strategic behaviour of media companies as “the entrepreneurial behavior of media firms expressed through the maneuvering of the firms with competitive parameters and the restructuring of their operations.” Ansoff (1965) conceptualised three different levels of organisational decisions: strategic decisions, which are related to the selection of product mix and markets; administrative decisions, which determine the structuring of resources; and operating decisions to maximise efficiency. Combining Ansoff (1965) and Hendriks (1995), this study differentiates between three types of strategic decisions: 1) a product-market/diversification strategy, 2) a resource structuring strategy, and 3) an operational strategy to maximise production and distribution efficiency.

The strategic decision-making may range from inert institutional to rational choice business decisions, depending on the organisation’s perception of the environment. The strategic behaviour determines the output and the media market performance, which can be “expressed in terms of economic market performance and sociocultural media performance” (Hendriks, 1995, p. 66). Carroll (1987) finds that task environmental aspects, like audience and advertisers, affect newspaper performance, whereas environmental institutional constraints such as legitimacy ascriptions affect entry and exit in the newspaper industry.

Figure 1: Relation between strategic decision-making of news media organisations and their environment



Source: Compiled by the author based on Hendriks, 1995, p. 72. Objects of investigation within this study are printed in colour.

In conclusion, key precondition for organisational transformation is successful sensemaking, which is determined by (1) a *corporate culture* allowing the interpretation of both the environment and organisational change and (2) *interpretation of the organisational environment*. The following hypotheses are proposed.

- H1.** News organisations with a change-enhancing corporate culture will interpret the environment (as opposed to describe the environment).
- H2.** News organisations with a change-enhancing corporate culture will launch more strategic transformations.
- H3.** The more interpretations compared to perceptions of the environment are made by news organisations, the more strategic transformations will be launched.

2.2. Inert versus rapid strategic transformations

Organisational change becomes likely when “organized actors with sufficient resources (institutional entrepreneurs) see in them an opportunity to realize an interest that they value highly” (DiMaggio, 1988, p. 14). However, change and renewal processes may occur more rapidly in some organisations than in others. Especially incumbent news organisations may not react rapidly to environmental changes (Küng et al., 2008). Hannan and Freeman (1977) argue that stronger pressures actually decrease an organisation’s flexibility to adapt to environmental changes. Inertial components of the organisational structure are constraints to adaptation. For example, investment plans and personnel are sunk costs that constrain adaptation options. Redistribution of resources disturbs political equilibria among subunits of the organisation. And organisations generate constraints in their own history: “Once standards of procedure and the allocation of tasks and authority have become the subject

of normative agreement, the costs of change are greatly increased” (Hannan & Freeman, 1977, p. 931). To overcome these causes of inertia is more difficult than management literature suggests.

North (1990, pp. 115–116) describes a demonstrative historical example for inert versus change-enhancing decision-making. Due to the power of social conventions preventing change in Spain, it remained stagnant, whereas England was able to transform. Around 1623, war, stagnation, collapse of trading and political realm, depopulation of the countryside, and a fiscal crisis lead to Spain declining to a second-rate power, once the most powerful nation in the Western world. The Spanish society, including King Philip IV, was aware of the problems. Economic reformers in Spain “wrote mountains of tracts pleading for new measures” (Vries, 1976, p. 28). Although the environment was carefully analysed in terms of a tight coupling and instrumental rationality, which would suggest that the government follows the suggestions of the reformers, “No willpower could be found to follow through on these recommendations” (Vries, 1976, p. 28), i.e., no rational but institutional decisions were made. North (1990) concludes with a comparison to England, the country that managed to overcome a fiscal crisis in the seventeenth century by introducing reforms. However, “the contrasting paths that they took appear to have reflected deep underlying institutional characteristics of the societies” (North, 1990, p. 116). In Spain, the institutional character limited the actors’ choices due to “a web of interconnected formal rules and informal constraints that together made up the institutional matrix” (North, 1990, p. 115) and led to the inability to start reforms and to alter Spain’s path. That is, Spain was watching itself become less powerful despite knowing rational solutions to the decline. The suggested reforms lacked institutional legitimacy. Instead, to continue the contemporary actions, which held institutional legitimacy because they had led to economic and political success in the past, appeared to be more appropriate. In this example, change enabled success and inertia led to failure.

Organisational inertia is said to grow or accumulate over time (Hannan & Freeman, 1984; Huff, Huff, & Thomas, 1992). Especially when organisations have been successful for a long period and gained legitimacy in the past, inertia accumulates and an inert transformation scenario becomes more likely (Miller, 1994). Hannan and Freeman (1977, p. 932) state that “Any legitimacy an organization has been able to generate constitutes an asset in manipulating the environment. To the extent that adaptation [...] violates the legitimacy claims, it incurs considerable costs”. Thus, having earned legitimacy in the past may increase the likelihood of inertia.

News publishing was a high-return industry (12% net profit margins on average, compared to 9% in the pharmaceutical industry) during the second half of the 20th century (Compaine, 2000, p. 5; Kopper, 2004, p. 115; Picard, 2003, p. 128). Media managers were not forced to change in the past due to stable environmental conditions but have been forced to since the start of the digital age (Kopper, 2004; Picard, 2003, 2004b). In addition, legacy news companies often have cultures that put emphasis on consistency (Himmelboim & McCreery, 2012; Redmond, 2006) and newsrooms are described as resilient to change (Ryfe, 2009). Sánchez-Tabernero (2004) stresses that a more decisive and fearless management in news organisations will be able to implement change and innovation. Thus, news organisations may tend to make inert decisions.

According to the dynamic capabilities approach (Teece, 2007; Teece, Pisano, & Shuen, 1997), managers constantly sense, i.e., identify and evaluate, opportunities as well as threats, and seize those opportunities “though the development of new products, processes, or services” (Naldi, Wikström, & von Rimscha, 2014, p. 66), to adapt rapidly to changing environments and to remain functional for their customers—i.e., for audiences and in turn for advertisers in the case of news organisations. In line with the financial commitment approach, media managers would increase financial expenses to invest into change (Lacy, 1992), assuming that financial resources are available (St. Cyr, Lacy, & Guzman-Ortega, 2005). However, Leonard-Barton (1992, p. 111) underlines that also core capabilities of an organisation “are deeply rooted in values, which constitute an often overlooked but critical [...]

dimension". As a result, "top managements typically forge their strategies for change only gradually as events unfold, keeping their options open and steering their organizations 'incrementally' toward a consensus view of the most important corporate goals to be attained" (Quinn, 1980, p. 34). In addition, "the resilient culture of newspaper organisations has been blamed for the inability of the news industry to seize the opportunities in the digital era (Meyer, 2009). This institutional perspective explains why news organisations adapt slowly or imitate the changes of other news organisations (e.g., Gilbert, 2005). In environmental changes with uncertain outcomes, to wait or to imitate another may be a good strategy to avoid strategic errors (Bourgeois & Eisenhardt, 1988). Institutional isomorphism can describe the organisational assimilation processes occurring through imitation where organisations orient themselves on more successful organisations in the market (Powell & DiMaggio, 1991). However, Bourgeois and Eisenhardt (1988) emphasise that waiting or imitating may also result in failure because competition changes and windows of opportunity close. In addition, Gilbert (2006) argues that although a new context requires competency configuration, traditional competencies of a news organisation may still fit with the internal situation although the environment has changed. Thus, this residual fit makes it difficult for a news organisation to completely adapt to a change. Instead, news organisations may face an "innovator's dilemma" (Christensen, 1997) because they cannot decide whether to reinforce existing products, to renew them, or to invent new products.

Institutions enable appropriate activities of corporate actors but also have the capacity to constrain actors (Barley & Tolbert, 1997, p. 96). Leonard-Barton (1992, p. 123) describes the paradox of managers implementing innovations captured within core capabilities that become the core rigidities of an organisation: "at the same time that they enable innovation, they hinder it". Thus, capabilities cannot be handled as a good or bad entity. In an often cited statement, Barley and Tolbert (1997, p. 93) underline that cultural influences determine the perception of the world: "organizations, and the individuals who populate them, are suspended in a web of values, norms, rules, beliefs, and taken-for-granted assumptions, that are at least partially of their own making." Because "Individuals strive to obtain, retain, protect, and foster those things that they value" (Hobfoll, 2001, p. 341), media managers and journalists may rather stick to already learned abilities. Incumbent firms invest "in their current market position and not in the new technology" (Gilbert, 2005, p. 742) and fail to change organisational processes, i.e., their routines remain rigid. Especially resource management and allocation influence the editorial media and market performance (Lacy, 1992; Lacy & Martin, 2004; Oliver, 2014; Russi, 2013). Organisations, which do not initiate renewal when environments shift, tend to underperform (Tushman, Newman, & Romanelli, 1985).

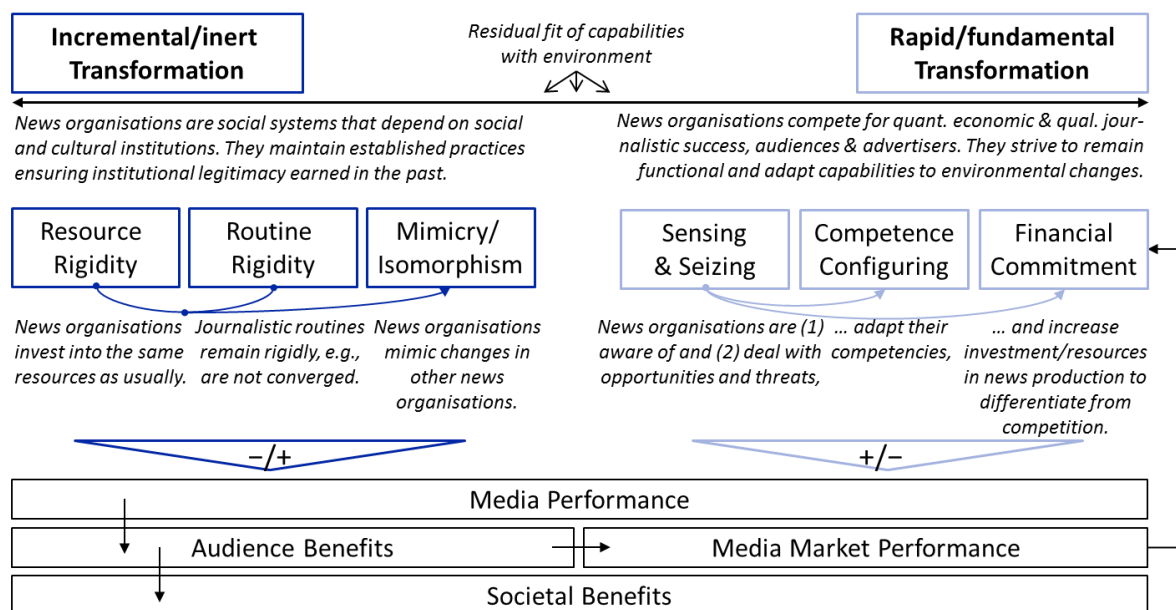
Lowrey and Woo (2010, p. 42) describe news organisations as "part business and part institution" and expect that they can adapt both rapidly and inertly to environmental change. As a business, news organisations may rather stress economic performance, whereas as an institution, they may highlight journalistic performance from which they gained societal legitimacy in the past. Management literature has shown that the most successful firms can initiate and carry out transformation when their environments shift (Tushman et al., 1985). A successful organisational renewal is based on rapid changes in environmental perception and evaluation, which are represented in mental models of managers (Barr et al., 1992). Bourgeois and Eisenhardt (1988, p. 816) found "an imperative to make major decisions carefully, but to decide rapidly; to have a powerful, decisive CEO and a simultaneously powerful top management team; to seek risk and innovation, but to execute a safe, incremental implementation. Despite the apparent paradox, effective firms do all of these simultaneously." According to Gustafsson (2004), many new entries on the newspaper market have failed in Europe since the 70s, e.g. due to lack of renewal or inertia of the habitualised reader and advertiser behaviour. However, Küng (2004) stresses that media organisations facing the technological change in the digital era made failures in their strategic response: "failures that occurred despite a set of preconditions that might seem to lay a perfect foundation for success". In contrast to the management perspective, changing fundamental characteristics may be harmful for an organisation from an organisational ecology view. Carroll and Hannan (2004) argue that adaptation of organisations, espe-

cially when core characteristics are concerned, may risk their survival. The notion that rapidly adapting organisations are more successful derives from findings based on the analysis of firms that were successfully adapting instead of including firms that were not successful in the adaptation process. In addition, Hannan and Freeman (1977) argue that a radical change of the core characteristics of an organisation is not likely, as “Failing churches do not become retail stores” due to strong internal and environmental inertial pressures on organisational structure. Thus, the following is asked:

RQ1. *Do rapid and more fundamental strategic transformations result in a more positive market performance compared to incremental and inert strategic transformations?*

Figure 2 puts these theoretical perspectives in opposition and serves to enhance the strategic decision-making box in Figure 1. The researcher argues in line with Lowrey and Woo (2010) that an inert versus a rapid transformation process can be regarded as the ends of a scale of organisational response options towards environmental change. On the left side, a news organisation is seen as depending on its social and cultural institutions with the goal to maintain established practices that ensure institutional legitimacy. Thus, resources are distributed rigidly, routines are not changed, and the organisation at most imitates the changes of other news organisations. In this scenario, a news organisation is expected to underperform on the market in the long term from a management perspective (–) and perform well from an institutional or ecology perspective (+). On the right side, a news organisation is regarded as competing for quantitative economic and qualitative journalistic success as well as for audiences and advertisers. Therefore, managers sense and seize threats and opportunities due to tight coupling with their environment, configure their competences, and allocate resources accordingly. As a result, dynamically transforming news organisations that invest in their news products are expected to perform well on the market from a management perspective (+). Consequentially, these news organisations are able to increase their revenue and reinvest resources. In contrast, institutionalism and ecology regard rapid and fundamental changes as harmful for the organisation (–). However, since a residual fit may remain for traditional competencies although the environment changed, news organisations delay a renewal process. Finally, both ends of the scale have implications for the level and kind of information available in a society.

Figure 2: A continuum of inert and rapid strategic transformation



Source: Compiled by the author.

Importantly, market performance feedback to financial commitment, as illustrated in Figure 2, determines the financial resources available to the company. Corporate owners aiming at higher profit margins in the short term may have to cut down resources for quality, coverage, or staff (Meyer, 2009), i.e., adapt the operational strategy. Conversely, organisations that are less strongly forced to operate at a profit have more room for investments into organisational change (Kaye & Quinn, 2010, p. 89), i.e., to adapt the resource structuring strategy. In general, news organisations equipped with sufficient economic resources are able to take risks and thus to renew themselves (Krumsvik, Skogerbø, & Storsul, 2013). Therefore, investment capacity depends on past market success (St. Cyr et al., 2005) but can also depend on ownership (Picard & van Weezel, 2008).

Oliver (2015) reveals based on an executive survey of major UK media companies that over half of surveyed organisations develop experimental strategies in order to keep pace with changes and gain an adaptive advantage—demonstrating a costly and resource-intensive strategic behaviour as response to a changing environment by many “big players”. For small and medium-size firms in the audio-visual production industries across Europe, Naldi et al. (2014) find that greater sensing capabilities, a larger company size and to some extent greater financial resources foster the number of new and renewed production deals. This demonstrates that environmental sensemaking and exploiting opportunities lead to market success and that company size and funding are related to market success as well. In a study by Krumsvik et al. (2013), Norwegian media group owned news outlets evaluated market developments as more positive and had plans for innovations (an iPad app in their case), i.e., have greater sensing and seizing capabilities, compared to independent news outlets. Although independent or group ownership and size (the latter measured by the circulation of its paper edition) correlate, ownership was the more important driver for introducing a tablet strategy in their study. The differences are explained by a richer and greater pool of resources available to bigger media organisations, i.e., analytical capabilities and joint product development. The authors argue that corporate owners may benefit from being distant to current audience and advertiser behaviour and can better understand developments beyond the mainstream market. Bakker (2013) reveals that about half of the innovations introduced by Dutch newspaper publishers failed on the market, i.e., had no positive impact on circulation. When interpreting this result from an ecological perspective, it confirms that experimenting as an early adaptation to environmental changes barely leads to corporate success. On the contrary, only when organisations experiment with innovations can a successful innovation be detected. These studies show that costs and the availability of financial resources are decisive for market performance. Companies that have no financial scope may not be able to develop experimental strategies and thus may not gain an adaptive advantage. Consequently, the following is proposed.

- H4. Less profit-oriented news organisations increase resources more frequently than profit-oriented news organisations.*
- H5. Less profit-oriented news organisations adapt product-market/diversification strategies more frequently than profit-oriented news organisations.*
- H6. More profit-oriented news organisations adapt and operational strategies more frequently than less profit-oriented news organisations.*

3. Method

3.1. News media market selection

In order to compare the transformation ability of legacy news organisations in somewhat different market settings, the study focuses on news media markets in two European countries with a sound professional journalism culture and a solid national newspaper market with clear separation between tabloid and quality press, i.e., the UK and the German-speaking part of Switzerland. In the UK, news information is traditionally spread by public service television news and secondarily also by private broadcasters and/or by daily newspapers, which are more important in Switzerland (see newspaper circulation in Table 1). The UK is considered a country with trusted news brands from which online users start their news journey (Newman & Levy, 2014). Also in Switzerland, the use of online news outlets is closely related to their offline brands (Messerli, 2013).

There is a decline in circulation of newspapers in both countries, however, on different levels. In the UK, the national daily newspaper circulation declined by 33% from 2002 to 2012 (own calculation based on The Guardian, 2012; 2002). In Switzerland, the circulation of paid daily and weekly newspapers containing general news declined by 18% from 2002 to 2012 (Bundesamt für Statistik). Thus, the pressure from the task environment on company performance should be stronger on average for UK than for Swiss news media organisations. This may serve as a key explanation for UK and Swiss organisations' differences in strategy responses.

Furthermore, the UK audience size strongly varies from the Swiss. The critical mass of potential users and advertisers to start an online-only outlet may not exist in Switzerland, but it is an issue for the UK due to the potential of native or non-native English-speaking audiences. Thus, this may constitute a more hostile environment for news organisations in the UK. In addition, major English-language news outlets can be regarded as being in competition across countries. That is, British news outlets are in competition, in a way, with major U.S. news outlets. The German-speaking region of Switzerland has two larger media markets publishing in the same language: Germany and Austria. Developments in these same- and English-language neighbours may be relevant for the domestic news market as well. Further, the countries vary in population density, which determines distribution costs for newspapers (Picard, 2005, p. 64), and by tendency in Internet and smart phone use (see Table 1).

Thus, these national news media markets share important similarities and dissimilarities that potentially determine strategy responses of legacy news organisations.

Table 1: Country comparison of environmental characteristics

Characteristics	UK	Switzerland
1 Number of inhabitants	High (64m)	Low (8m) (Swiss-German: 65%)
2 Population density (inhabitants per square kilometre)	High (263)	High (202)
3 Newspaper circulation	Medium	High
4 Newspaper circulation decline (2012/2002)	Strong (-33%)	Medium (-18%)
5 Internet penetration	High (89.8%)	High (89.1%)
6 Smart phone penetration	Medium (62%)	Medium (54%)
7 Daily smart phone use for social networking	Medium (53%)	Medium (43%)
8 Smart phone use for news	Low (33%)	n.a.

Sources: 1, 2: The CIA World Factbook (cia.gov); 3: Hallin & Mancini, 2004; 4 UK: The Guardian, 2002; 2012; CH: Bundesamt für Statistik; 5: internetworldstats.com; 6, 7: OurMobilePlanet.com; 8: Newman & Levy, 2014, p. 9.

3.2. News media organisation selection

Organisational inertia is said to grow or accumulate over time (Hannan & Freeman, 1984; Huff, Huff, & Thomas, 1992). Incumbent organisations “must not only develop an appropriate response to a changing strategic environment, but also find a way of implementing this and circumventing the hurdles presented by ‘legacy’ systems and processes” (Küng et al., 2008, p. 125). Thus, legacy news organisations are at risk to become dysfunctional when they are unable to renew their strategy according to environmental change. Therefore, this project focuses on the transformation processes in former print-only publishing houses. The sample comprises five major legacy news organisations: the *Daily Mail and General Trust (DMGT)* and the *Guardian Media Group (GMG)* in the UK and the *NZZ Mediengruppe*, *Tamedia* as well as *Ringier* in Switzerland.

The biggest newspapers in a country have often been “elite” news outlets and the flagships of “quality journalism”. Some scholars presume that decreasing revenues may lead to a loss in expensive quality news supply (Hamilton, 2010; Hollifield, 2006). Indeed, news organisations often downsized in scale and scope of news-making as a first reaction to decreasing revenues (Altmeppen, 2007; Brüggemann, Esser, & Humprecht, 2012). Until now, legacy news outlets have often faced declining stock prices (if publicly traded), lower profit rates because of a rise of outlets online, and reduced newsroom staffs (Hamilton, 2010; Meyer, 2009; Picard, 2006).

In the UK, newspaper titles with the highest circulation are *The Sun* (publisher: *News Group Newspapers*) followed by *Daily Mail (DMGT)*, *Daily Mirror (Trinity Mirror)*, *Daily Telegraph (Telegraph Media Group)*, *Daily Express (Northern & Shell)*, *Daily Star (Northern & Shell)*, *The Times (Times Newspapers)*, the *I (Independent Print)*, *Financial Times (FT Group)*, *Daily Record (Trinity Mirror)*, *The Guardian (GMG)*, and *The Independent (Independent News & Media)* (theguardian.com, 2014). Depending on international activities, the revenue of the publishing organisations strongly varies.

In Switzerland, *Ringier*, *Tamedia*, and *NZZ Mediengruppe* are major news organisations in terms of revenue, followed by medium news organisations mostly active in regional markets in Switzerland, such as *AZ Medien AG*, *Basler Zeitung*, and *Südostschweiz Mediengruppe*. The *Ringier AG* is the largest publishing house in terms of revenues and is largely active in Eastern European countries as well. *NZZ Mediengruppe* publishes the broadsheet daily quality newspaper *Neue Zürcher Zeitung* and the Sunday broadsheet *NZZ am Sonntag*. *Tamedia* publishes the quality broadsheet *Tagesanzeiger* and regional newspapers, as well as the daily freesheet newspaper *20 Minuten*.

The selection of the news media organisations underlies a big player bias. Thus, this selection is not able to reveal the strategy responses of the entire population of news media organisations in both countries, but only that of large organisations that more likely are better funded than smaller players.

In terms of family ownership and the offering media products in many countries, *Ringier* is most similar to *DMGT* across both countries. In terms of news outlet types, *Medien NZZ*, *GNM*, and *dmg media* are most similar, since these offer a quality daily and a weekly national news outlet. *Tamedia*’s news outlets are in competition with *NZZ*’s quality news outlet *Neue Zürcher Zeitung* as well as *Ringier*’s free commuter news outlet *Blick* and is thus partly comparable with *dmg media* as well.

By holding constant the economic and cultural capital of legacy news organisations (in terms of the professionals and their audience shares) across outlet types and across countries roughly similar, Benson, Blach-Ørsten, Powers, Willig, and Zambrano (2012) state that cross-organisational differences can be drawn back to environmental characteristics.

Table 2: Overview over news media organisations and ownership

Organisa- tion	Head office in	Legal status	Ownership	Ownership purpose	Profit orienta- tion	Business unit w/ national news out- lets
<i>NZZ Me- dien- gruppe</i>	CH	Public limited company	Share- holders; shares not listed, re- stricted transfer- ability	To remain economically inde- pendent, to secure bylaws (quality, independence, liberal- ism), to keep a high equity ratio and own financing level of investments. ¹	Profit- orient- ed	<i>Medien NZZ: Neue Zürcher Zeitung</i> (paid daily), <i>NZZ am Sonntag</i> (paid weekly) (ca. 40% share of total turnover)
<i>Tamedia</i>	CH	Public limited company	Share- holders; 21% in free float ²	To remain economically inde- pendent and to be able to invest into core competencies in the future. ³	Profit- orient- ed	<i>20 Minuten</i> (free commuter); <i>Regio- nalmedien Deutschschweiz: Tages-Anzeiger</i> (paid daily regional)
<i>Ringier</i>	CH	Public limited company	Family owned; shares not listed	"Actively pursues sustainability and risk management with a focus on creating the ideal environment for current busi- ness activities as well as foster- ing the group's potential for development." ⁴	Profit- orient- ed	<i>Ringier Schweiz: Blick</i> (paid daily tabloid), <i>Blick am Abend</i> (free com- muter)
<i>Guardian Media Group (GMG)</i>	UK	Public limited company	<i>Scott Trust</i> sole share- holder	"To secure the financial and editorial independence of the Guardian in perpetuity: as a quality national newspaper without party affiliation; re- maining faithful to its liberal tradition; as a profit-seeking enterprise managed in an effi- cient and cost-effective man- ner." ⁵	Profit- seeking	<i>Guardian News Media (GNM): Guardian</i> (paid daily), <i>The Observer</i> (paid weekly) (ca. 80-99% share of total turnover)
<i>Daily Mail and General Trust (DMGT)</i>	UK	Public limited company	Family owned; <i>Rothermere Continuation Limited</i> main shareholder; 11% in free float ⁶	"To invest for the long term in order to generate value for shareholders. Control by a founding family is a model which has been demonstrated to serve the media industry well over time." ⁷	Profit- orient- ed	<i>Associated News- papers/AN me- dia/dmg media</i> (ca. 40% share of total turnover); <i>Daily Mail, The Mail on Sunday</i>

¹ NZZ Mediengruppe, 2011, p. 5; ² finanzen.ch; ³ Tamedia, 2010; ⁴ ringier.com; ⁵ gm/gplc.co ⁶ OnVista.de ⁷ DMGT, 2009

3.3. Material

To measure the environmental perception and strategy responses of the news organisations, this study uses CEO's/president's/chair's and editor-in-chief's statements as well as sections on the news division or specific news outlets in corporate annual reports between 2005 and 2014. Küng (2004) suggests that research aiming to understand a media organisation's market performance should focus on the business unit instead of the whole firm level. This analysis to some degree complies with this demand when including sections on the news business units within annual reports. However, the level of analysis is mostly on the whole organisation's level.

Since annual reports fulfil functions for investor relations and are a means to attract and maintain shareholders, they do not represent the unbiased environmental perception and operations of a company. Annual reports rather contain information of how an organisation represents itself than of its operations. For example, Arndt and Bigelow (2000) reveal that hospitals use impression management in their annual reports to defend change and potential negative responses of stakeholders with (1) excuses, i.e., denying the volition as the impetus for restructuring but emphasising the external forces of an increasingly complex and uncertain environment, (2) justifications, i.e., the necessity of change to protect the organisation, (3) disclaimers, i.e., explaining extensive preparations for organisational change while emphasising that the change does not affect the relation to the stakeholders, and (4) concealment, i.e., the organisations do not mention that they are first adaptors in their industry nor refer to themselves as innovators but imply that they follow a trend in the industry.

This strategic communication bias may vary among organisations that have a greater or lesser need to attract and maintain shareholders. *Tamedia* and *DMGT* have the greatest incentive to attract and maintain shareholders within the sample since a part of their shares are publicly traded. Yet only every fifth and tenth share of *Tamedia* and *DMGT*, respectively, are in free flow (see Table 2). In contrast, for *NZZ*, *Ringier*, and *GMG*, whose shares are not publicly traded, this goal may be much less relevant.

Although the framing of organisational transformation may be biased, the company has to reveal a perception of challenges within the industry to show that they are aware and can react to changes in order to stay competitive and therefore worthy of investment. According to Gioia and Chittipeddi (1991, p. 434), the CEO's role is to determine the overall corporate strategy and make and give sense as "someone who has primary responsibility for setting strategic directions and plans for the organization, as well as responsibility for guiding actions that will realize those plans." Thus, the CEO's/president's/chair's as well as the editor-in-chief's statements review the most important events within the past fiscal year, which are worth mentioning to shareholders, and reveal a reasonable strategy for the future. In addition profit figures of the annual reports are used to measure market performance.

Importantly, with analysing annual reports, this study can partly avoid an ex-post rationalisation bias caused by the knowledge of the future success or failure of a strategic change that could potentially occur in interviews with corporate experts. In annual reports, corporate actors know the results of the past and current fiscal years; however, they cannot know the future company results. Thus, a longitudinal analysis of annual reports approximates a real-time study of strategic change.

Thus, the researcher argues that as long as the structure of the CEO's/president's/chair's statements remain similar, one can at least interpret year-to-year changes in content.

The structure of the *NZZ Mediengruppe* president's statement increased in words since 2006 but remained similar each year until 2013. In 2005 and 2006, the *Tamedia* annual report had a market review section but no president's or CEO's statements. In *Ringier's* annual reports, the publisher's

and CEO's statements as well as—available from 2008 onward—the report on business performance and the *Ringier* Switzerland review on the daily news outlets were coded. In 2005, *Ringier's* annual report consisted of a book of anecdotes without any statements or figures and could not be coded. Also the chair's and CEO's statement structure remained quite similar in the *GMG* annual reports from 2004/5 until 2010/11. The 2011/12 report appears online only, containing a short CEO's statement. In 2012/13, the CEO's statement exists as a short video only. That means comparability over time for *GMG* is limited in the last two years of the observation period. *DMGT's* chairman's and CEO's statements are clearly structured throughout the years. For 2004/5, the actual annual report is not available, but the group audited preliminary results are available online, including a group summary and outlook as well as an overview per business area signed by the chair. In 2007/8, the chairman's statement is structured as an interview. However, the content is similar to the other years. From 2011/12 onward, the *DMGT* annual reports begin with a strategic report containing a market overview, strategy and performance overview, priorities for the coming year, the chairman's statement, and the CEO's review.

3.4. Measures

3.4.1. Independent variables

The primary independent variables are the corporate sensemaking of the environment and the culture of the organisation. To operationalise the *environmental sensemaking*, this study measures number and type of attention to and interpretation of the corporate environment. *Attention* to the environment was coded when descriptive, non-judgmental statements on consumer behaviour, advertiser behaviour, competitor behaviour/competition, public policy, market structure, technology, and economic/market situation were made, as suggested by Hendriks (1995). *Interpretation* of the environment was coded when statements explicitly mentioned the environment as opportunity or threat.

To operationalise a *change-enhancing corporate culture*, we use Stock et al.'s (2013) measurement of innovation-oriented corporate culture with three items, respectively related to flexibility of employees, emphasis on creativity, and openness to innovation. Furthermore, protection-of-the-past statements were coded. In addition, market leadership claims are coded as change-enhancing since market leaders should adapt earlier than their competition to exploit first-mover advantages as suggested for example by Oliver (2015). The categories for corporate culture include speedy adaptation/first mover, protection/tradition, market leadership claim, flexible/open to change/entrepreneurial-minded, strategy/organizational/business model change (necessary), strategy change/revenue model change, ongoing organisational/business model change/transformation, and a (need for/spirit of) innovation/forward-looking attitude.

3.4.2. Dependent variables

The dependent variables are the strategic decisions and market performance of the news organisations. The frequency and timing of strategic decisions are coded. The *strategic decisions* are categorised in Table 3 based on Ansoff's (1965) and Hendriks's (1995) considerations as described in 2.1. Changes in product-market/diversification and resource structuring strategies can be regarded as more costly than changes in the operational strategy.

Table 3: Dimensions of strategic decisions

Strategy dimensions		Indicator
(1) Product-market/ diversification strategy	Online operations	Launch of online products; Multimedia activities; Online-first publishing strategy
	Marketing activities (print/general)	Price increase; Product development/positioning; Branding; Relationship building
(2) Resource structuring strategy	Competence configuring	Changes in management (capabilities or staff); Changes in human resources (investment in digital skills of journalists/employees)
	Financial commitment	Investments/online investments
(3) Operational strategy	Working processes	Print/online newsroom convergence; Exploiting synergies
	Cost cuts	Cost cuts; Layoffs

Hendriks (1995) defines *market performance* based on two dimensions: economic market performance and sociocultural media performance. This study adopts both dimensions and measures economic market performance and sociocultural performance related to journalistic quality, i.e., mentioned awards won or mentioning a good journalistic quality. The market performance of the organisation is also used as an independent variable in this study. That is, the past or current market performance is an independent variable to strategic change. As stated in Russi, Siegert, Gerth, and Krebs (2014), past market performance is a causal condition to financial commitment because it indicates the return of resources as illustrated in Figure 2. The future market performance is considered an outcome of past or current organisational change. Therefore, the study codes statements on company results as market failure (negative company results, advertising income decrease/volatility, circulation decrease, lacking commercial online success) and market success (positive company results, advertising income increase, circulation increase, online advertising income increase, online reach increase). In addition, the profit margin (total revenues over profit after tax per year) as stated in the financial reports is used for economical measurement. For company figures, corrections of previous years' net profits are not considered as profits of a current year will predominantly set budgets for strategy changes in the following year. For sociocultural market performance, statements on journalistic quality and awards that are won by news outlets of the organisation are coded.

3.5. Procedure

The coding scheme was developed based on theoretical considerations and extended while coding the actual material. Theoretic considerations provided the main codes, which were complemented with sub codes during the coding process. This dynamic coding approach ensures that no relevant aspects are missed. The coding procedure comprised of (1) inductive coding of all material to extend the main codes and (2) deductive coding of all material based on the coding scheme resulting from (1). The results are based on the second round of coding.

Coding was based on statements of (a) the general evaluation of the group/total organisation and (b) reports of the national news outlet division including print and online news outlets. Statements referring to regional news divisions or other media categories and divisions were not coded. Statements referring to activities or environmental changes of the past years instead of the year the annual report is written about were not coded in order to not mix up the time horizon per year.

4. Results

As a first step, the researcher summarises major statements on the environment and transformations of the news outlets per year in Section 4.1. The researcher qualitatively describes and interprets major statements based on the theoretical considerations. Second, statements are presented quantitatively according to the hypotheses in Sections 4.2 to 4.34.4.

4.1. News organisation timelines of online transformation

Overall, the transformation efforts of news organisations toward online activities can be separated into four stages within the observation period: 1) a pre-online stage when the print business is of major importance; 2) a print-online-parallel stage where online activities gain importance; and 3) an online-first stage when online activities become more important than print and audience reach is extended online. Some news organisations proceed to a fourth, post-online stage when new areas of transformation become important during the observation period. The following section comprises of a description and interpretation of major statements. The interpretation paragraph is indicated with an arrow.

The *NZZ Mediengruppe*'s transformation efforts can be summarised in three stages (see Figure 3). In the first three years of the observation period, which represent a non-online-related phase, no online transformations as a reaction to a changing environment were mentioned. A major organisational change in 2005 was a new and younger management structure. In 2006 and 2007, the president mentioned difficult market conditions for paid daily newspapers and pressure through the free press and online information sources, as well as changed information needs. In 2006, branding and product design activities were mentioned. In 2007, the president emphasised that print is still important as a revenue source. From 2008 onward, a second period with more emphasis on online and multimedia transformations began. Partly, news content was published online-first. In 2008, the *NZZ Mediengruppe* reacted with a cost-cutting programme to the financial crisis, increased their multimedia portfolio, and mentioned the competitive market. In the following year, the president posited that their current business model was not working anymore—at least not for quality content—whereas, at the same time, classical media still had the highest acceptance for users. In almost every year, the president emphasised that online advertising revenues cannot set off the decline in print advertising revenues. In 2010, the *NZZ Mediengruppe* started a strategy process and accomplished the turnaround since the financial crisis. The president stated that both innovation and tradition need to be embraced, and that the values and competencies acquired over the past years shall not be jettisoned. In 2011, an ongoing change and innovation process was stressed, digital products were mentioned, and a newsroom convergence process began. In the following year, advertising income decreased stronger than expected—although, it was mentioned again, that classical media remained popular. In order to gain revenue from online users, a metered paywall was introduced to the news outlet's website and news was published online-first—which suggests that *NZZ Mediengruppe* entered the online-first stage. Interestingly, the online-first strategy was mentioned in the news outlet's report only and not in the president's statement. Already mentioned in 2009, in 2013 the organisation arrived at the conclusion that the past business model no longer existed and that one had to accept changes in usage patterns and new technology. Until 2012, the *NZZ Mediengruppe* stressed that they concentrated predominantly on the classical publishing business. In 2013, the organisation developed an action plan to be implemented until 2015 and planned to invest in journalism, technology, and management. However, the annual report of 2013 did not disclose a particular future revenue model.

➔ For the *NZZ Mediengruppe*, 2012 can be regarded as the start of a third period with a stronger emphasis on and importance of online activities than before. In the years before, the president's

statements often reveal a “residual fit” (Gilbert, 2006) of the traditional print competence with the environment of the organisation and the desire to protect the traditional capabilities with which the organisation earned its legitimacy. This residual fit, as well as the inability of online advertising revenues to set off print advertising revenues, results in a parallel development of print and online activities. Following an unexpected print advertising revenue decrease in 2012, an intense strategy change, including intensification of online activities, was announced. Thus, the advertising decline delivered a dissatisfying signal and increased pressure so that the residual fit of print competencies diminished. The fit between the organisation and its environment became imperfect and the print competence increasingly dysfunctional whereupon adaptive behaviour was initiated as described by Barr and Huff (1997) or Huff et al. (1992). This also confirms that changes in audience and advertiser behaviours lead to change in publishing news organisations as stated by Picard (2003). Thus, perceiving changes in the environment is not sufficient for initiating change at the *NZZ Mediengruppe*.

Tamedia's timeline is illustrated in Figure 4. For *Tamedia*, 2005 and 2006 were marked by an increasing advertising income and the launch of regional newspapers. Only the business division review reveals that online news sites were reorganised and decentralised, run by each news outlet since 2005. In addition, *Tamedia* merged with the *Espace Media Groupe* in 2007 and therefore turned from a regional into a supraregional media organisation. In 2007, another commuter newspaper was launched. In 2008, the deteriorating economic situation due to the financial crisis was mentioned. Another merger with *Edipresse* was planned, which turned *Tamedia* into a national media organisation. The 2007 report emphasised that *Tamedia* believed in the future of the paid daily newspaper. Additionally, a new layout was launched for a news outlet. In 2008, *Tamedia* revised their 2003 mission and announced that the increasing online market was a chance. In 2010, the organisation reported an increasing advertising income, started cooperation, cut costs, and extended their line of online products. In 2011, one of the best company results ever were reached and the radio as well as the TV sections were sold. Again, the consolidation process was mentioned. In 2012, similar to *NZZ*, *Tamedia* experienced an advertising income decline, perceived a faster structural change on the market, and invested in investigative journalism. In 2013, the president's statement included detailed environmental observations that arrive at the conclusion that the technical development, globalisation, and changed usage patterns of readers will keep the organisation busy for many years and that protection is not a good strategy but ongoing adaptation is necessary. However, no clear statements were made concerning an accelerating online or online-first strategy.

- ➔ The revenue structure of *Tamedia* seems not be seriously threatened by the changing environment during the observation period; on the contrary, they were able to make outstanding profits compared to their company history. Thus, although *Tamedia* perceived changes in the environment, these are not strong enough to cause *Tamedia's* news products to become dysfunctional and severely renew the strategy towards online activities and to “enter” a third online-first stage.

Throughout the observation period, *Ringier* invested in non-media related web sites as well as launched and re-launched digital channels and apps for its news outlets and repositioned its news outlets. *Ringier's* publisher concluded in his 2008 statement, “All you can do as a company is keep reinventing your own activities and adapting them to current conditions” (Ringier AG, 2009, p. 8), revealing a transformation-focused attitude. In 2009, a corporate strategy based on investing in the traditional print business, in entertainment, and in digital business was launched. *Ringier* also invested in the construction of a newsroom that would serve all types of media, channels, and platforms. Thus, 2010 may be regarded as an enforcement of editorial online activities—but did not quite meet the online-first criteria. The overall group strategy was to diversify revenue streams in order to become less dependent on cyclical fluctuations. In 2012, the publisher stated that *Ringier* as a tradi-

tional publishing house needed a long time to understand changes in their environment and to benefit from it. Instead, traditional publishers first ignored and denounced, then studied, and finally attacked online developments, according to *Ringier's* publisher. In 2013, the perception of the environment became more complex for *Ringier*. The publisher stated that the rules of the game had changed and news sources were being forced to provide content at no charge. Compared to the earlier years, an optimistic, forward-looking attitude for online news outlets of 2011 had faded. It was stated that new businesses and business models were needed—yet without mentioning future revenue streams. In 2013, *Ringier* launched services for their advertising clients, such as the Power Day for reaching all of *Ringier's* Swiss audience in one day, and native advertising.

- ➔ *Ringier* seemed to have early understood structural changes of the audience and advertiser behaviour and reacted to these changes. The environmental changes are closely followed throughout the years. Strategy changes were implemented and huge investments were put into online revenue streams. However, the 2012 statement of being a traditional publishing house revealed a rather institutional mind-set of the organisation, although other statements reveal them being open to change. Similar to *NZZ*, the “residual fit” (Gilbert, 2006) of print competencies remains. Incremental adaption to the environment may have prevented a greater dysfunctionality and did not yet deliver such dissatisfying signals to profoundly change the digital strategy concerning news outlets towards an online-first stage.

GMG's chair's and *GNM's* CEO's statements for the fiscal year of 2004/5 were marked by the investments made for the format change of their newspapers to the Berliner format (see Figure 6). Thus, this year represents a pre-online stage. The years from 2005/6 to 2009/10 comprise the print-online-parallel stage. In these years, the annual reports trace the progression as the communications revolution accelerates (in 2005/6), the media environment changes rapidly (in 2007/8), and the old economic model of their organisation was seriously challenged (in 2006/7). However, they also mentioned that their organisational culture was open to change. In 2008/9, the competition with the huge British Broadcasting Corporation (BBC), which has guaranteed funding, was mentioned. Also, new forms of journalism and new ways of doing business were perceived. In 2009/10, the recession and its negative effects on advertising income was expressed. In terms of online activities, a necessary transition from print to online was emphasised and news apps were launched. Until 2009/10, the purpose of the *GMG* was described as “dissemination of news, information and advertising matter by way of print and other media,” which changes to “...by way of digital and print media” from 2010/11 onward, representing the transition into an online-first stage. In 2010/11, for the first time digital revenue growth set off declines in print revenues, which is an important milestone for *GMG* and within the industry. In the following year, the annual report stated that users could now receive news via various platforms and devices. In addition, an online-only news outlet was launched for the US market. The report also stated that branding became more important and that *GMG* would continue to try new things. In 2012/13, the structure of the annual report followed the organisation's online-first strategy and was available online-only, with shorter chair's and CEO's statements. In 2013/14, the chair's statement was available as video only. In the two last years of the observation period, emphasis was put on a global strategy, a collaborative and interactive journalism, and a mission to offer superior products for audiences and advertisers. For the latter, a branded content and innovation agency was launched. Thus, 2012/13 and onward may constitute a post-online stage where new areas of transition focus on gaining advertising revenues instead of only extending to online reach.

- ➔ The environmental perception and an open-to-change organisational culture may have facilitated in overcoming inertia and launching online transformation for *GMG/GNM*. *GMG* embraced a “market share now means profits later” attitude (Küng, 2008, p. 169) in their online activities,

which have started to pay off since 2010/11 for the organisation. Yet compared to other news organisations, *GMG* has more freedom to invest since the organisation is profit-seeking but not profit-oriented by any means. In addition, English-language news outlets can profit from a larger first- or second-language English-speaking audience potential. Thus, large investments may more likely pay off—whereas at the same time *GMG* enters into competition with news organisations in other countries. Thus, it is important to collect first-mover advantages for *GMG*, which are enabled through the ability to make investments although a company loss is made. This unique situation offers a very powerful competitive edge for *GMG*.

The *DMGT* annual reports' statements discussed the environmental situation and corporate strategies in great detail every year. The *DMGT* timeline is illustrated in Figure 7. The 2005/6 annual report summarised the environmental situation as follows: "Our products and services, and their means of delivery, are affected by technological innovations, changing legislation, competitor activity or changing customer behaviour. A structural change in the advertising market, resulting in significant advertising moving away from our traditional products to the internet, could significantly affect our results." This statement, revealing a broad environmental observation, can be found in many of the future annual reports as well. *DMGT* invested in newspaper, the Internet, and pure play digital products in 2005/6 and achieved a record profit, although the advertising market was difficult. Thus, this year can be classified as online-print-parallel stage when online technology gained importance. From the following year on, print products increasingly migrated to digital and stories broke online first. Thus, 2006/7 and onward can be characterised as part of an online-first stage. The CEO stated in the 2006/7 report that the organisation has to be run faster in alignment with the pace of environmental change. On the group level, other revenue streams than advertising were increasingly generated from business-to-business subscriptions and events. In 2007/8 and the following fiscal year, the financial crisis and tough economic conditions were mentioned. While in 2007/8 cost reduction activities were made, in 2008/9 investments for the upturn were planned. *DMGT's* chair mentioned throughout the years that diversification on business-to-business and business-to-consumer markets outside the UK was very advantageous for *DMGT*. In 2007/8, capital allocation was said to move further towards business-to-business operations over the long term, potentially diverging investment from publishing activities. In 2008/9, the CEO's statement arrived at the conclusion "that if you want to survive in this sector, you must be able to react quickly and efficiently to the rapidly changing media world in which we exist" (*DMGT*, 2009, p. 6). In 2009/10, the aim of *DMGT* was to be a modern company of tomorrow, not a legacy organisation, revealing a forward-looking attitude. *DMGT* established a group committee that decided on investment and capital allocation, i.e., centralised financial commitment activities, and put emphasis on technology innovation. In addition, a technology expert shared information regarding technology developments across the divisions. Both supported a higher operating tempo according to the CEO. The 2011/12 annual report began with a market overview emphasising tremendous opportunities, concluding that the challenge was "Adapting to changing customer behaviour and keeping pace with the technology they are using" (*DMGT*, 2012, p. 6). The CEO mentioned that the company modelled deeper recessionary scenarios, revealing not only environmental observation but taking various options into account. Throughout the years, the major business proposition did not explicitly include digital media except for the latest annual report (2013/14). However, *DMGT* seems to have integrated digital into their media portfolio without discussing it much. Toward the end of the observation period, a greater emphasis was laid on further geographic growth. In 2012/13, the report summarises major trends that affect *DMGT* in the future such as ongoing technological innovations and the importance of data. Thus, this may constitute a post-online stage for *DMGT*. The latest report highlights various strengths of *DMGT*, whereas the "entrepreneurial heart that fosters constant innovation, growth and talent development" (*DMGT*, 2014, p. 7) was mentioned as its first strength, which has been an issue throughout the years. Con-

stant innovation was the major issue in the market overview of the strategic report in 2013/14 as well.

- ➔ The constant monitoring of the environmental developments and deriving implications for the organisation was important for *DMGT* since it is active on geographically various markets. This constant sensing and seizing behaviour (Teece et al., 1997) and embracing technological change as opportunity may prevent *DMGT* from becoming inert. A corporate culture embracing change instead of protecting print as a tradition and the willingness to adapt rapidly to the environment support strategic transformations. The national newspaper division is one in six *DMGT* divisions. The newspaper outlets are a core activity for *DMGT* but not as important as for *NZZ Mediengruppe*, *Tamedia* or *GMG*. Thus, *DMGT* may rather be used to environmental change and the newspaper division strategy may profit from experience in other markets and industries.

Figure 3: *NZZ Mediengruppe* timeline

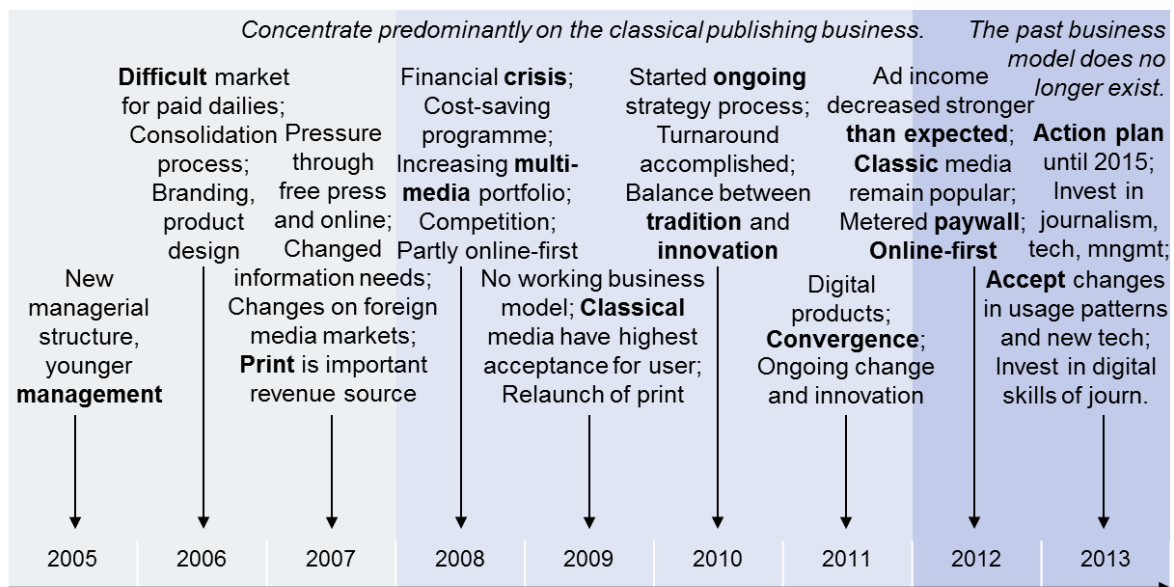


Figure 4: Tamedia timeline

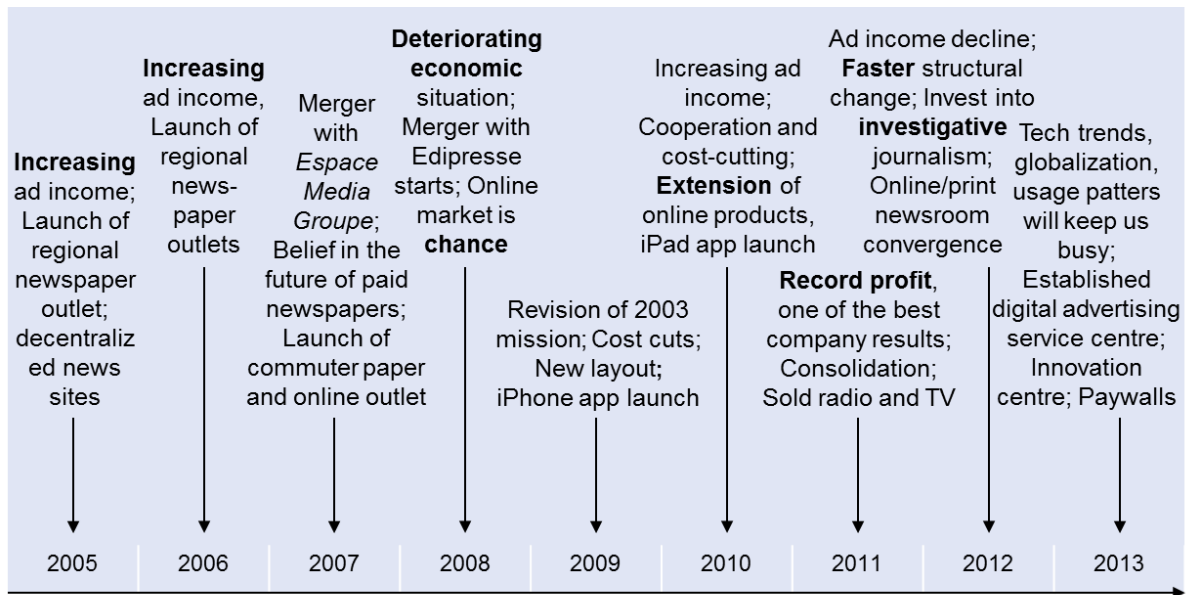


Figure 5: Ringier timeline

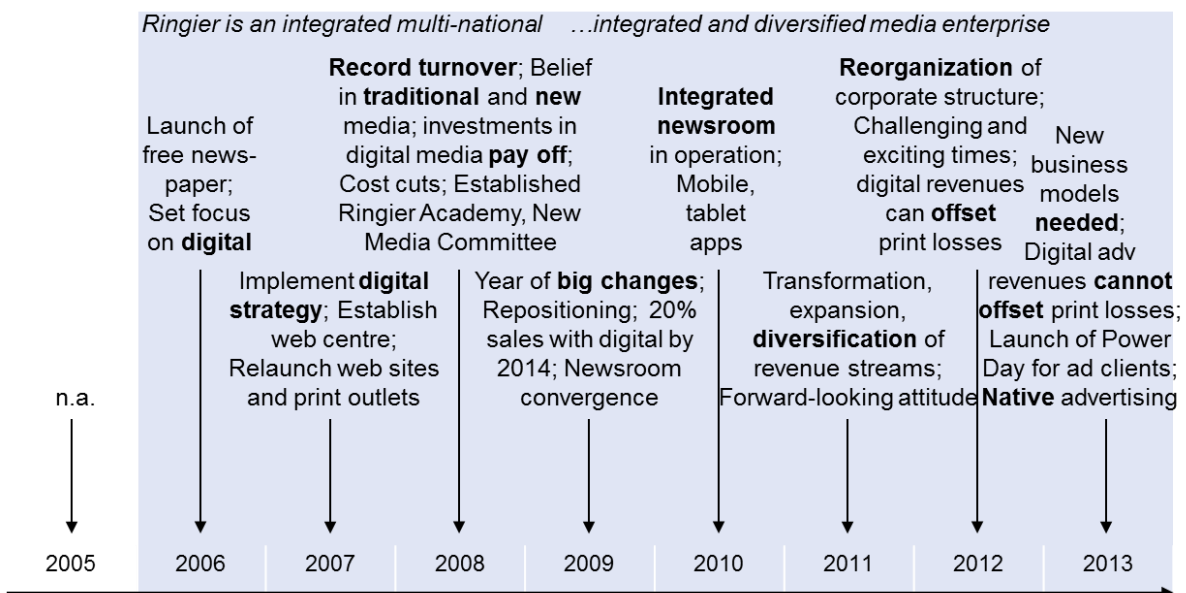


Figure 6: GMG timeline

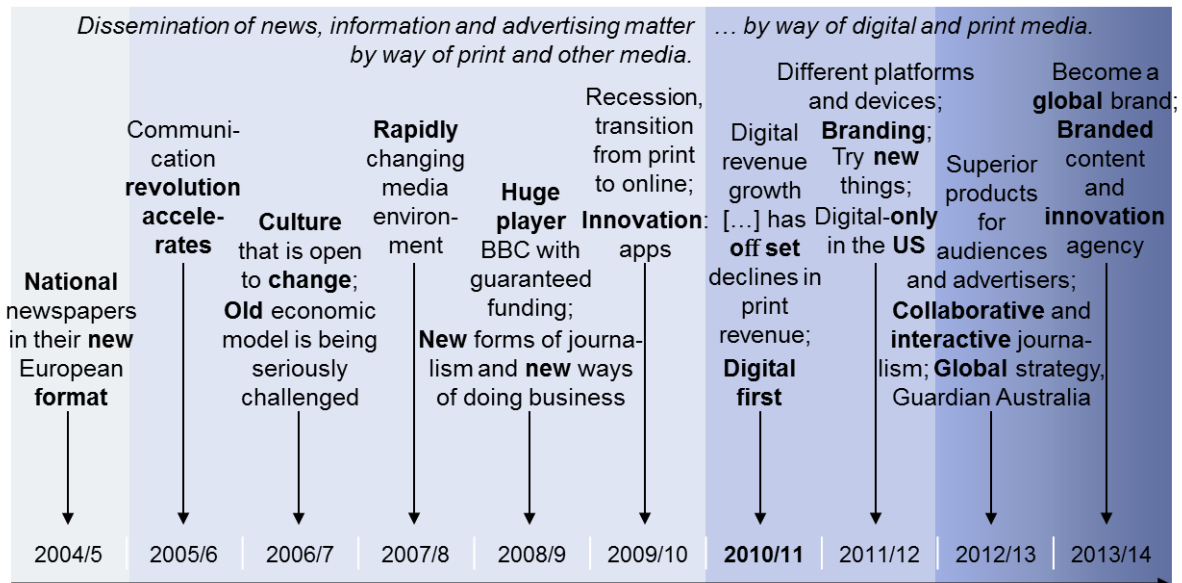
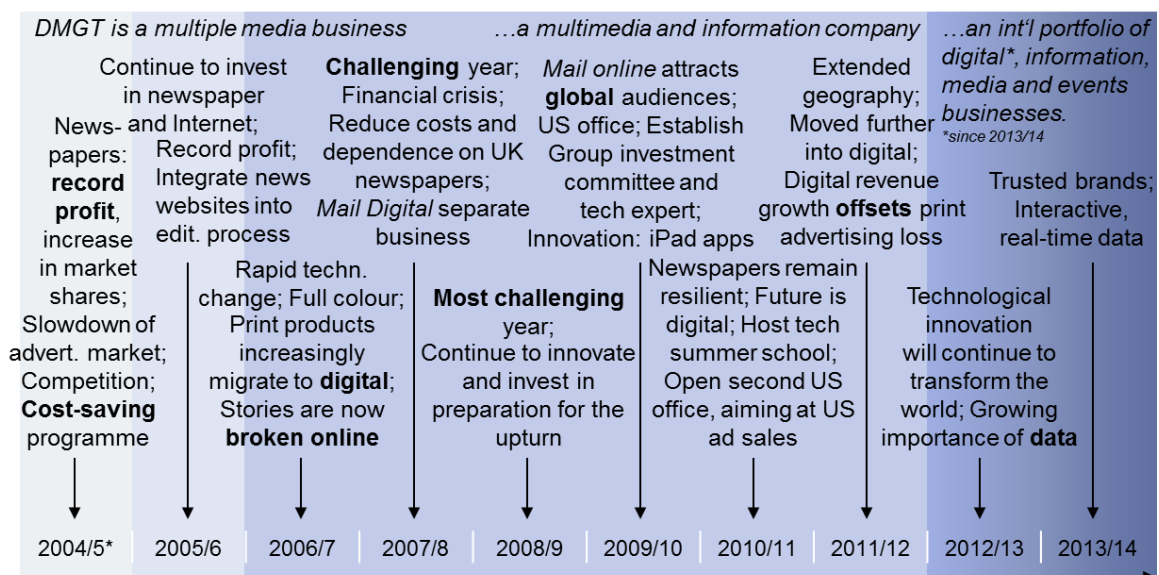


Figure 7: DMGT timeline



4.2. Corporate culture and environmental sensemaking

Statements on the corporate culture are presented in Figure 8 to Figure 12. Statements revealing a change-enhancing or conservative corporate culture and attitudes toward change were rare in the reports of Swiss news organisations compared to *GMG* and *DMGT*. *Tamedia* mentions one cultural aspect per year on average, *NZZ* two, *Ringier* three to four, *GMG* four, and *DMGT* six aspects—which may partly depend also on the lengths of the annual reports. All organisations mostly revealed having a spirit of innovation and the need for organisational as well as business model change. Among the Swiss news organisations, *Ringier* mentions a need for a strategic or business model change most

often in 2011 and also in the following years. Similarly, *GMG* constantly calls for a need of change, especially between 2006/7 and 2009/10. In contrast, *Tamedia* and *DMGT* very rarely mention a need for change. A protective, inert attitude was mentioned in 2010 by *NZZ* and in 2007 by *Tamedia*, each with one statement. *Ringier*, *GMG*, and *DMGT* never mentioned a conservative view throughout the observation period. *DMGT* reveals the most diverse attitudes toward change until 2011/12, also stressing a speedy adaptation process, of which flexibility and a forward-looking mind-set are mentioned in the last two years of the observation period. The other news organisations stress strategic, organisational, and business model change instead. In comparison, *DMGT* reveals the most steadily change-enhancing mind-set throughout the years. *DMGT* mentioned also most often the goal to be market leading ($n = 10$), followed by *GMG* ($n = 5$), *Ringier*, and *NZZ* ($n = 3$ each). In contrast, *Tamedia* never mentioned striving for market leadership. When adding up the statements on speedy adaptation, need for a spirit of innovation, flexibility, openness to change, and the market leadership, which are indicators for a change-enhancing mind-set; *Tamedia* and *NZZ* make one statement per year on average, *Ringier* one to two, *GMG* two, and *DMGT* four.

Figure 8: Culture/attitude of NZZ Mediengruppe

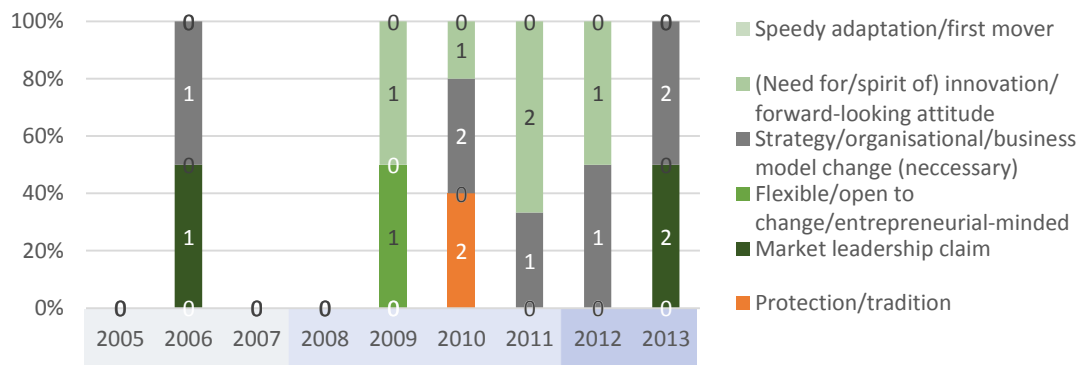
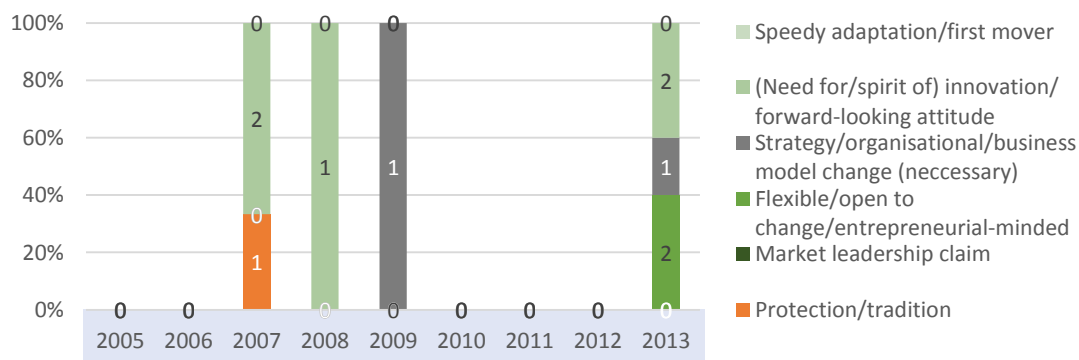


Figure 9: Culture/attitude of Tamedia



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Figure 10: Culture/attitude of Ringier

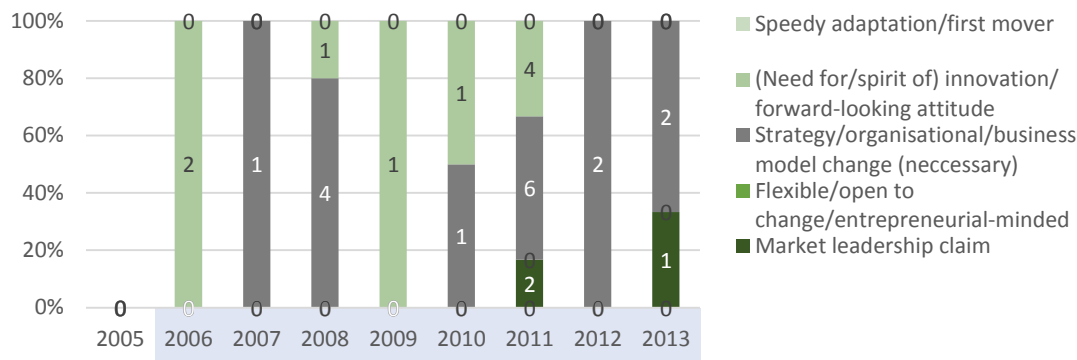


Figure 11: Culture/attitude of GMG

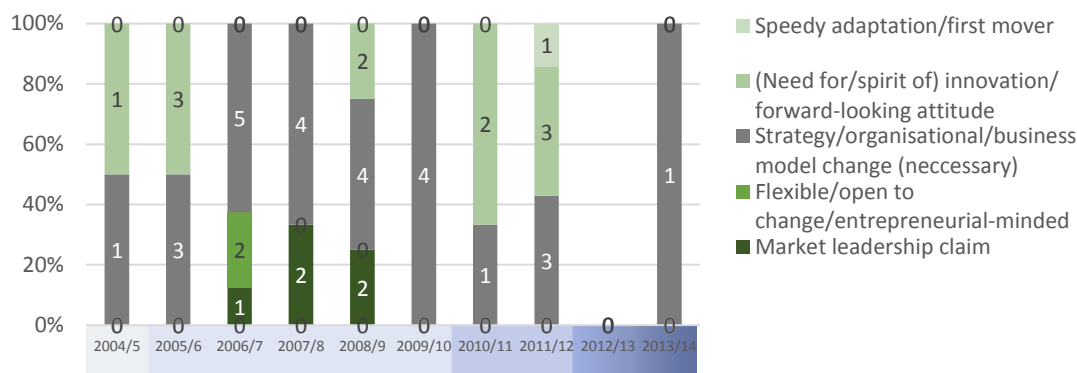
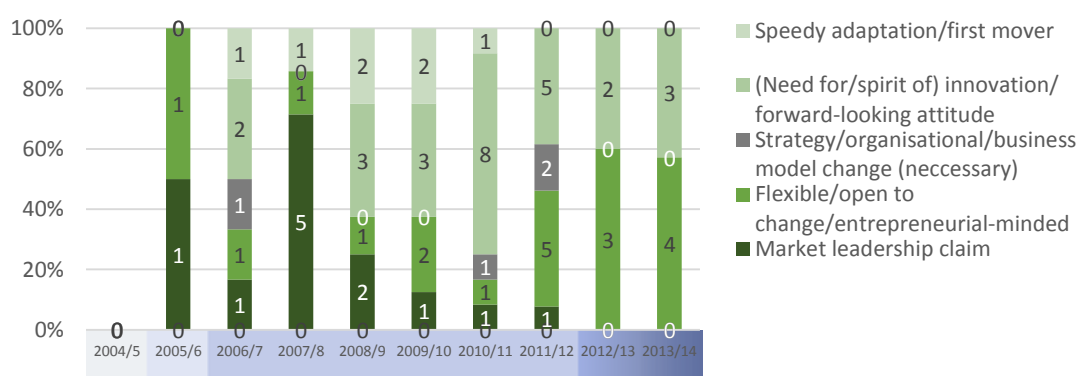


Figure 12: Culture/attitude of DMGT



The environmental sensemaking is subdivided into (1) descriptions of public policy, market structure, technology, behaviour of consumers, advertisers (as resource providers), and competitors as displayed in Figure 1, and (2) the interpretation of environmental conditions as threat or challenge and opportunity. The shares and absolute numbers of statements are displayed per news organisation from Figure 13 to Figure 17. Environmental interpretation is indicated in orange and yellow, statements on environmental descriptions in blue. Smaller absolute numbers of statements in the annual

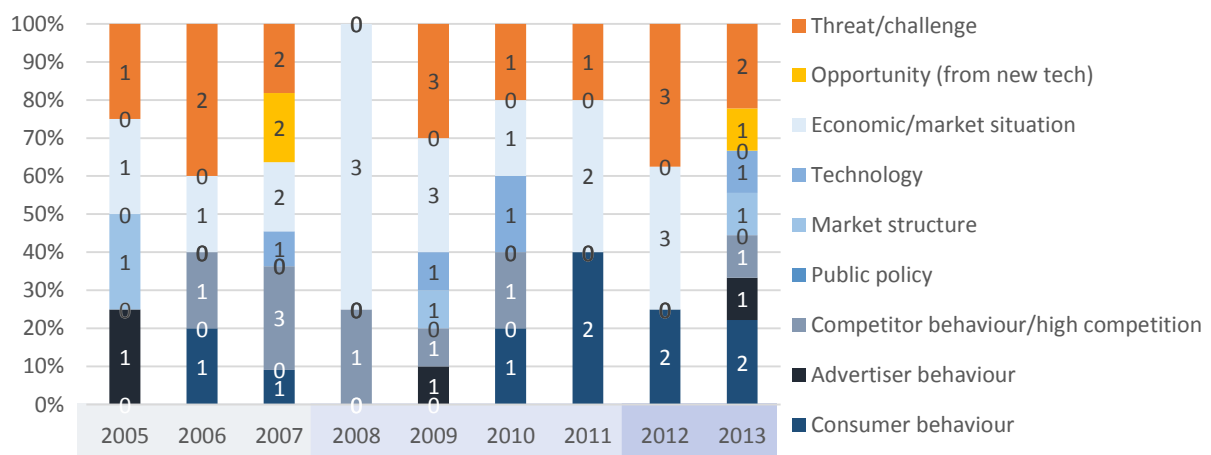
reports of the Swiss news organisations are due to less extensive annual report statements. Thus, shares should be used to compare across news organisations, taking the relatively small number of statements into account.

Over all organisations and the total observation period, almost three quarters of environmental sensemaking was descriptive without revealing an opportunistic or threat interpretation (72%, n = 348) whereas more than one quarter were statements revealing an opportunistic or threat interpretation (27%, n = 132), whereas 19% (n = 93) were threat and only 7% (n = 31) were opportunity interpretations. Overall, few years exist with a sole perceptual description of the environment without interpreting it as threat or opportunity (NZZ: 2008; *Tamedia*: 2005, 2006, 2009, 2011, 2012; *Ringier*: 2010, 2012; *GMM*: none; *DMGT*: 2004/5, 2010/11). *Tamedia* is the news organisation with the highest number of years lacking environmental interpretations. In terms of environmental topics mentioned in the reports according to Figure 1, agents of the closer, task environment were more often mentioned than those of the wider, macro environment (public policy, market structure, technology), whereas technological change had a greater share than market structure and public policy. In addition to the environmental aspects in Figure 1, the economic situation was often an issue, as it has an impact on advertisers and on the audience on the level of the task environment. Especially in 2008/9, the situation of the recession was the essential issue for all organisations.

The Swiss news organisations mentioned similar environmental aspects yet less consistently over the years than UK organisations. *Tamedia* is the organisation with the lowest diversity and consistency of environmental aspects mentioned (see the years 2007, 2008 and 2013 with four and six aspects mentioned, respectively, against the remaining years in Figure 14). Mostly, the organisations more often mentioned threats than opportunities caused by changes in the environment, except for *DMGT* in the 2009/10 and 2011/12 reports, in which a positive interpretation of the environment prevails. *DMGT* almost always mentioned opportunities along with threats.

Thus, all organisations commonly sensed and partly seized their environment, usually seizing few opportunities and many threats—but at different levels of diversity and consistency of environmentally-sensed aspects.

Figure 13: Environmental sensemaking of NZZ Mediengruppe



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Figure 14: Environmental sensemaking of Tamedia

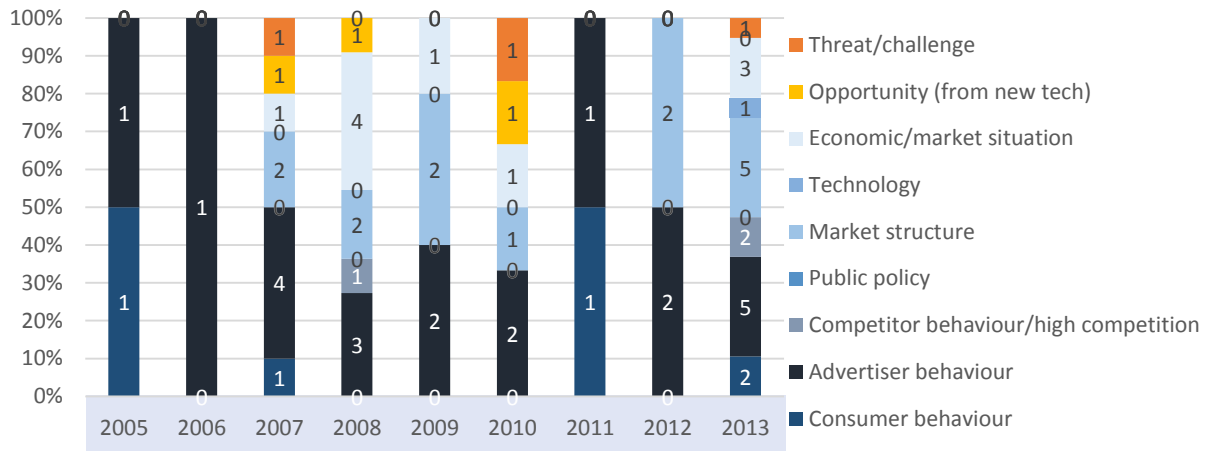


Figure 15: Environmental sensemaking of Ringier

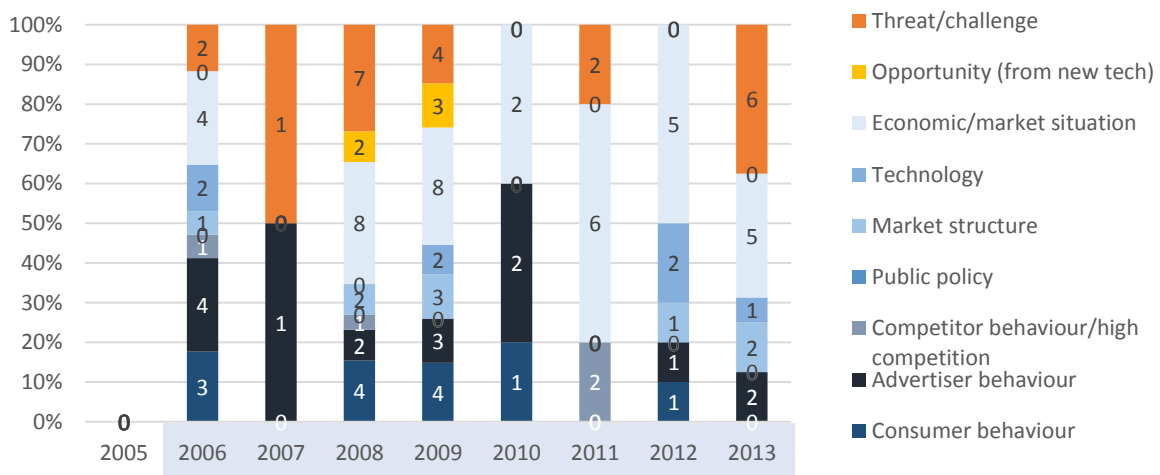


Figure 16: Environmental sensemaking of GMG

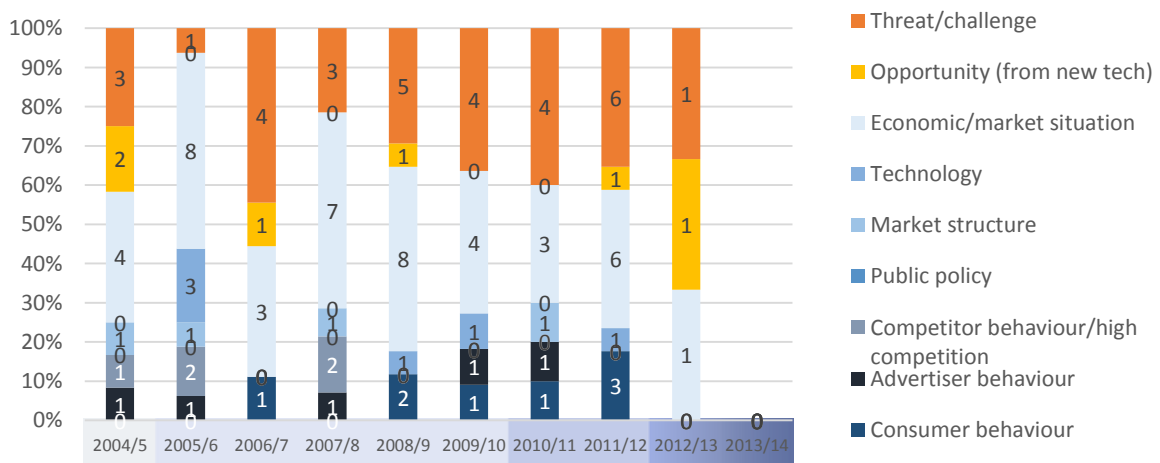
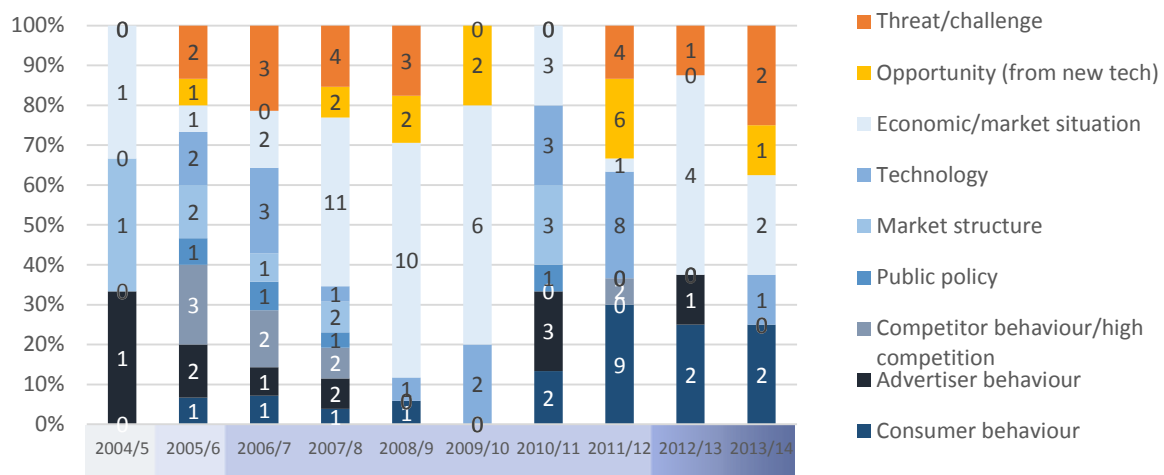


Figure 17: Environmental sensemaking of DMGT



4.3. Areas of strategic transformation

The areas of strategy transformation per news organisation are presented from Figure 18 to Figure 22. All news organisations react with transformations in various strategy areas throughout the years, whereas the scope of reactions of *Ringier*, *GMG*, and *DMGT* (except for the last two years of the observation period) is more diverse than that of *NZZ* and *Tamedia*. Overall, online activities followed by operational changes (working process, cost cuts, layoffs) and making investments were mentioned most often, whereas *Ringier*, *GMG*, and *DMGT* more often indicated making investments than *NZZ* and *Tamedia*—*DMGT* especially in the years before and *GMG* also during the financial crisis. In 2009/10, and for *Tamedia* heavily in 2012/13, changes in working processes and cost-cutting shaped the reactions—except for *DMGT* where investments were mentioned. When comparing the number of different areas of strategic transformation, *GMG*'s and *DMGT*'s areas of strategic transformation were more diverse between 2006/7 and 2011/12, whereas *NZZ*'s and *Tamedia*'s areas of strategic transformations became more diverse in 2013. The past two years of *GMG*'s reports are only limitedly comparable to the reports of 2011/12 and before due to a different form of the reports.

More costly areas of strategic change, such as product-market/diversification and resource structuring (strategy dimensions 1 and 2, indicated with red and blue shades, respectively, in the following figures), predominate less costly operational adaptation (dimension 3, indicated in grey) overall, but at different levels across organisations. Operational strategy responses summed up to a greater share at *NZZ* and *Tamedia*. *Ringier* and *DMGT* revealed greater shares of resource structuring. *NZZ*, *Tamedia* and *GMG* showed greater shares in product-market/diversification strategies than *Ringier* and *DMGT*. Interestingly, *NZZ* did not mention operational strategies at all in 2013, for the first time during the observation period.

These transformations also reveal the types of strategic decision-making as outlined in Figure 2. Based on the shares of statements referring to resource structuring strategies, *Ringier* and *DMGT* can be described as financially committed. However, since product-market/diversification strategies also require making and changing investments, *GMG*, *NZZ* and *Tamedia* cannot be described as rigidly investing. Competence configuring related to adapting staff or management skills is very seldom mentioned—by tendency more frequently by *NZZ*.

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Figure 18: Strategy transformation at NZZ Mediengruppe¹

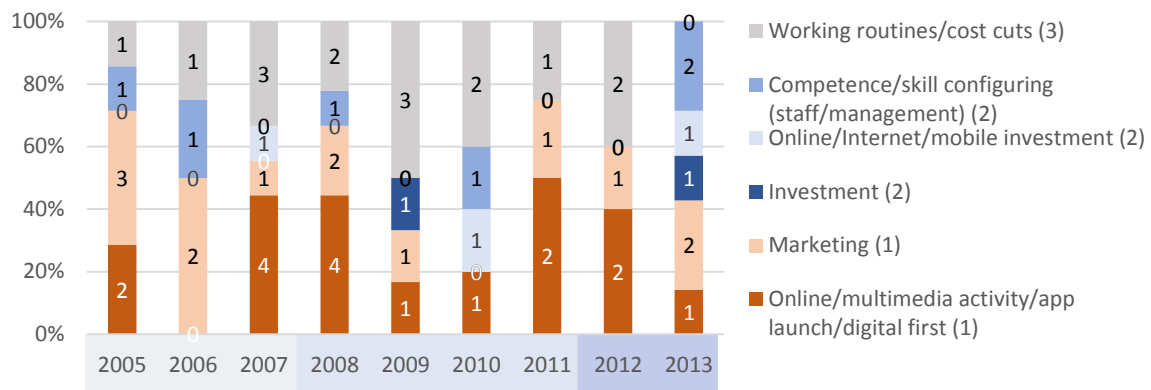


Figure 19: Strategy transformation at Tamedia¹

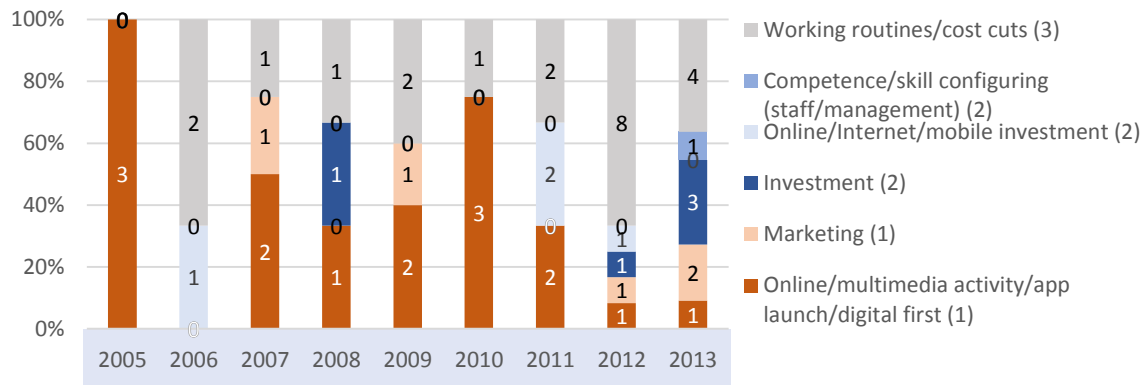
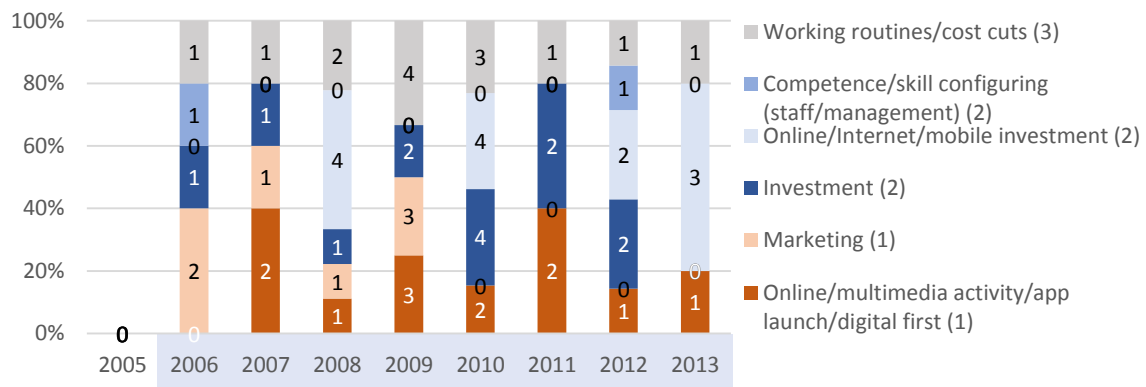


Figure 20: Strategy transformation at Ringier¹



¹ Note on caption: (1) Product-market/diversification strategy; (2) Resource structuring strategy; (3) Operational strategy (see Table 3).

Figure 21: Strategy transformation at GMG¹

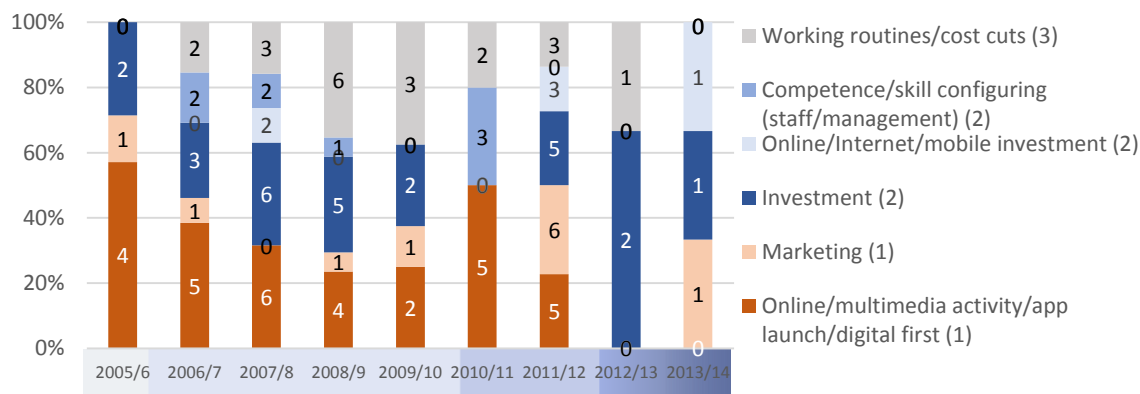
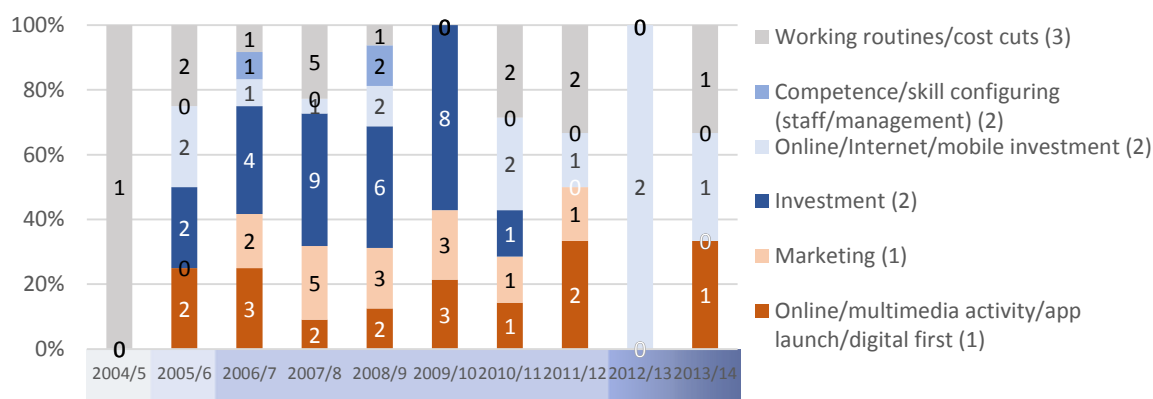


Figure 22: Strategy transformation at DMGT¹



4.4. Market performance

Market performance statements and profit margins are presented in Figure 23 to Figure 27. There is a 2007 peak in profit margins (profits after tax over total revenues, as reported in the annual report of each year) for all news organisations except for *DMGT* that peaks as early as 2005/6. Between 2008 and 2009/10, the profit margins of all news organisations reached a bottom, which was strongly negative for *DMGT*, *GMG*, and just below zero for *NZZ*. Only *Ringier* and *Tamedia* revealed positive profit margins throughout the observation period. *Tamedia* is the most profitable Swiss company with 11% profit margin in 2013, followed by *NZZ* with 5% and *Ringier* with almost 3%. Overall, the average profit margins from 2004/5 to 2013/14 are about 13% for *Tamedia*, 6% for *DMGT*, 5% for *NZZ*, 4% for *Ringier*, and 0% for *GMG*. Yet profit margins have been decreasing for *Tamedia* and *NZZ* since 2011 and were rather stable on a low level for *Ringier*. *DMGT* and *GMG* reached 14% and 9% profit margin in 2013/14, respectively. Whereas *GMG*'s profit margins were again negative in 2011/12, since the economic crisis, *DMGT*'s profit margins have constantly been positive at least on a higher single-digit level since 2008/9. Shares of statements of market failure and market success are vastly in alignment with company profit margins with *NZZ*, *Tamedia*, and *DMGT* and partly in alignment with *Ringier* and *GMG*.

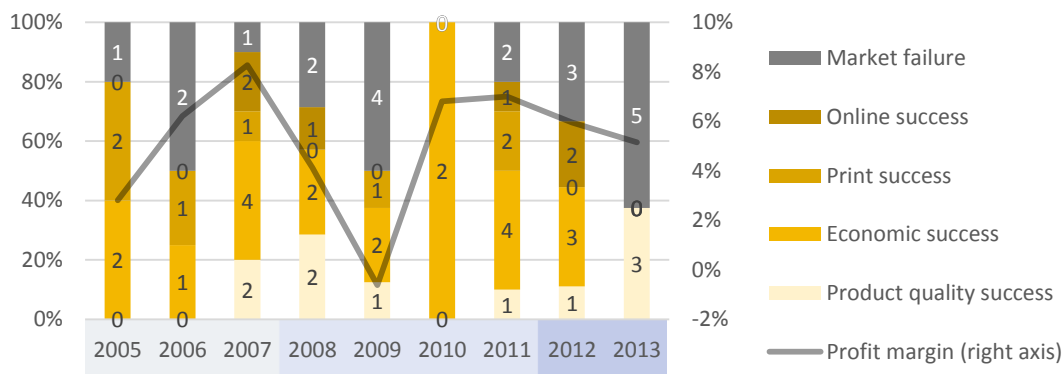
Statements of market success (yellow shades) on the advertiser and audience markets strongly predominate the number of statements on market failure (grey). Exceptional to the predomination were the statements in 2006, 2009, and 2013 of *NZZ* when market failure was mentioned at least as often

as success. Also in the recession years, market success was mentioned more often than failure. Overall, market failure statements mostly referred to failure on the advertising market ($n = 32$) followed by negative company results ($n = 28$), failure on the audience market ($n = 14$), and statements revealing a lack of commercial success online ($n = 8$). Whereas statements of failure diminished in *GMG* and *DMGT* annual reports during the last two years of the observation period, the Swiss news organisations mention market failure at different levels, of which *NZZ* reveals the highest. However, it must be mentioned again that the past two years of the *GMG* reports are only limitedly comparable to the previous years due to a different form of the reports.

Economic and product quality performance were mentioned by *NZZ* almost every year. Print success was mentioned in the beginning of the observation period and once in 2011. Online success was mentioned for four years only. In 2013, product quality was the only reported success aspect by *NZZ*. *Tamedia* reported online and print success more often throughout each year—the latter at a decreasing level during the end of the observation period. *Ringier* mentioned online success first in 2008 and onward. *GMG* mentioned online success every year and at an increasing level from 2007/8 whereas print success statements diminished. Product quality success was steadily mentioned as well. *DMGT* mentioned print and online success almost every year, whereas online success statements—as well as economic success—appeared more frequently from 2010/11 onward. Product quality success was mentioned less often from 2010/11 onward.

When comparing statements on journalistic quality performance (light yellow) and profit margins, the relation appears to be partly negative for *GMG* and *DMGT*. Product success was more often mentioned before the financial crisis by *GMG* and *DMGT*. For the Swiss news organisations, statements on journalistic quality performance were too rare to reveal a clear picture.

Figure 23: Market performance NZZ Mediengruppe



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Figure 24: Market performance Tamedia

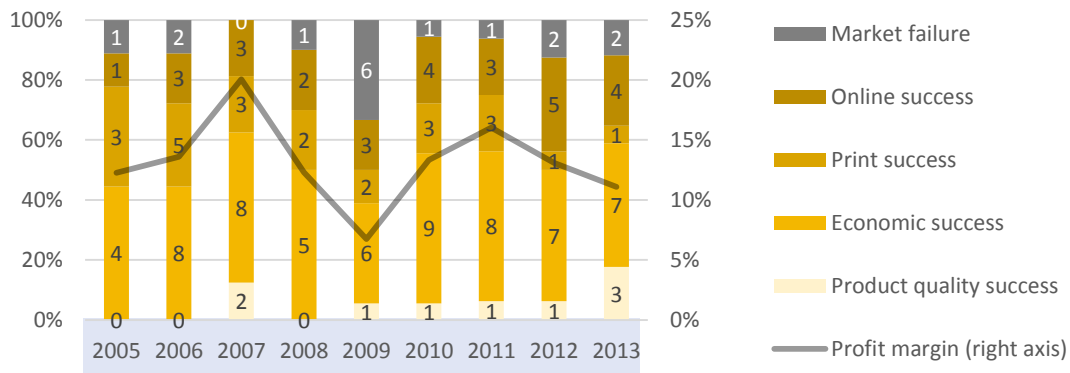


Figure 25: Market performance Ringier

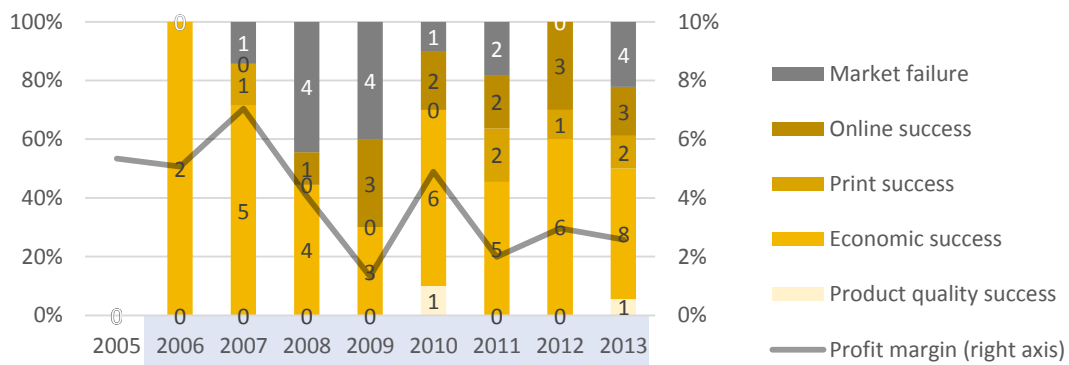


Figure 26: Market performance GMG

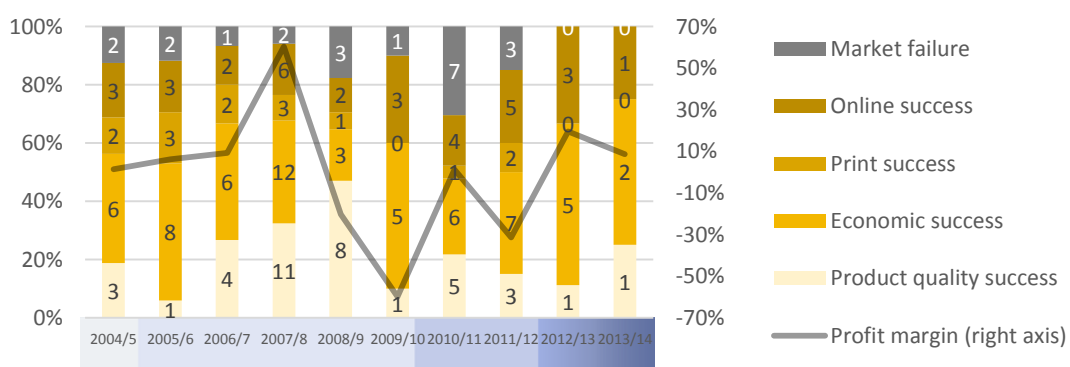
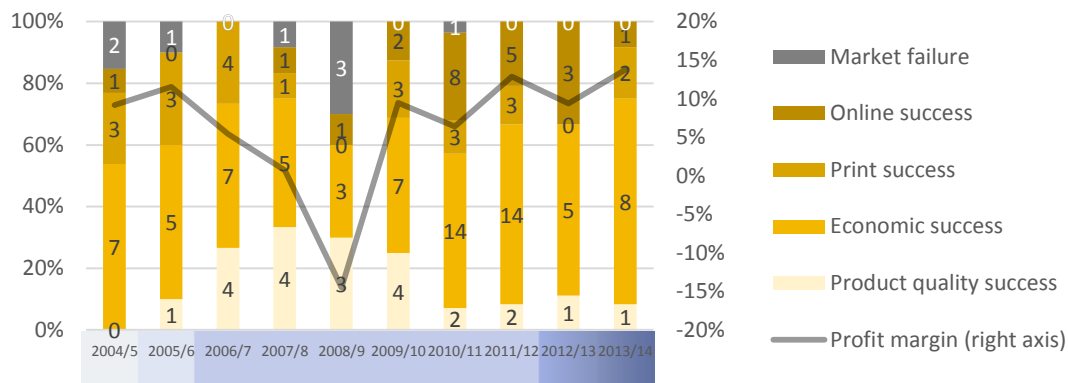


Figure 27: Market performance DMGT



5. Discussion and limitations

This section first discusses qualitative content analysis findings. Secondly, it combines the quantitative content analysis findings on corporate culture and attitude toward change with sensemaking and strategic transformations as well as strategic transformations with market performance and answers the hypotheses. Third, limitations are discussed.

Results of the qualitative content analysis resulted in a timeline of online transformations per news media organisation (see Figure 4 to Figure 7). Overall, the UK news organisations *GMG* and *DMGT* appear to have adapted to technological changes earlier and with a greater significance than *NZZ*, *Ringier*, and *Tamedia* in Switzerland. The main reasons preventing online transformation for the Swiss news media organisations were a residual fit of the print competencies (Gilbert, 2006), an inert mind-set, and eventually a lack of ideas for possible future revenue models. The main reasons for a more fundamental transformation of UK news media organisations were a change-enhancing corporate culture, and a constant sensing and seizing of the environment (Teece et al., 1997), and freedom for investment. Variations in stages of online activities within Swiss news media organisations are due to an unexpectedly high decline in advertising income for *NZZ* compared to *Ringier* and *Tamedia*, confirming Picard's (2003) assumptions that media managers are not forced to change as long as there are stable environmental conditions. Thus, the results are in line with theoretical institutional assumptions. In addition, the UK news organisations show a greater diversity in environmental sensemaking and strategic responses as well as a higher pace of online transformations compared to Swiss news organisations.

H1 suggests that news organisations with a more change-enhancing corporate culture will interpret the environment as threat or opportunity as opposed to solely describing it. Statements of a culture or attitude embracing change were rare for Swiss news organisations. *DMGT*'s statements disclose a steadily progressive mind-set toward change as well as the will to be the first mover and market leader, whereas such statements become rarer after the financial crisis. Market leader claims are stated second-most often by *GMG*, followed by *Ringier* and *NZZ*. Statements on the environment revealed that all organisations sense and to a minor share seize their environment, rarely seize opportunities but mainly threats, with *DMGT* being the most optimistic news organisation in comparison. Rare statements of a change-enhancing corporate culture relate with rare statements of opportunity interpretations but only partly with interpreting the environment as threat. *Tamedia* very irregularly mentions a change-enhancing culture and also very rarely interprets the environment as threat or opportunity. However, *NZZ* interprets the environment, although rare statements on a

change-enhancing culture are made. Although *DMGT* could be described as the news outlet with the most progressive attitude towards change, which may be induced by the goal to be a market leader, *GMG* reveals a higher share of environmental interpretation. However, *DMGT* regards the environmental change slightly more frequently as opportunity than *GMG* (at least once in six and five years, respectively)—whereas the Swiss news outlets, which could be described as less strongly open to change, interpret the environment as opportunity only in two to three years. Thus, the results support **H1** in terms of change-enhancing corporate culture and *opportunity* interpretations. Findings can be regarded to be broadly in line with scholars revealing that the perception of the environment is constructed and corporate culture plays an important role in construction and sensemaking (Berger & Luckmann, 1966; Weber & Glynn, 2006; Weick, Sutcliffe, & Obstfeld, 2005).

H2 proposes that a more change-enhancing corporate culture is related to more strategic transformations. The progressive mind-set of *DMGT* was reflected in the variety of areas of strategy transformations mentioned. Except for the last two years of the observation period, *DMGT* mentioned a great variety in strategy transformation. Also *GMG* and *Ringier* stated their intentions to transform a greater number of strategy areas than *NZZ* and *Tamedia*. However, whereas *DMGT* mentioned aspects of a change-enhancing culture most often followed by *GMG*, it was *GMG* that mentioned strategic transformations most often followed by *DMGT*. Still, the will to be first mover and market leader seems to be positively related to adapting a greater number of strategic areas and to a greater financial commitment. Thus, results largely support **H2**.

In addition, seeing more opportunities than threats is also positively related to adapting a greater range of strategic areas. Thus, results partly support **H3** suggesting that environmental interpretations rather than perceptions are related to strategic transformations. However, to be more precise, more consistently manifold environmental perceptions and more interpretations as opportunity are related with a greater diversity of strategic transformations. Descriptive environmental perceptions are not sufficient to trigger strategic transformations. *Tamedia* was the organisation with fewest environmental interpretations and a lower diversity and consistency in areas of strategic transformation. However, when regarding separate years lacking environmental interpretation of *NZZ*, *Tamedia*, *Ringier*, and *DMGT*, only the first years (2005 and 2006 of *Tamedia*, 2004/5 of *DMGT*) that lack environmental interpretation are related to fewer strategic transformations. In summary, the more environmental aspects and the more opportunities were recognised, the greater the diversity of areas of strategic transformation.

RQ1 asks for the relation between incremental and inert versus rapid and more fundamental strategic transformations and market performance. Interestingly, *DMGT* and *Tamedia*, which are the news organisations with the highest profit margins after the financial crisis, are also the ones mentioning a need for change in strategy or business model least often. In contrast, *DMGT* sensed a greater variety in environmental sensemaking and mentioned more areas of strategic change than *Tamedia*. The levels of competence configuring and financial commitment, which are part of the area of resource structuring strategy, are rapid and fundamental strategic transformations relating to Figure 2. *Ringier* and *DMGT* reveal greater shares of resource structuring and can be described as financially committed. In contrast, *NZZ* and *Tamedia* appear to be hardly financially committed, except for 2013 when resource structuring strategies are mentioned considerably more often than before. Whereas market performance has been comparably positively developing for *DMGT* since 2009/10, it is mixed for *Ringier*. *DMGT* did not mention making general investments (other than for online activities) after the recession period, which reveals a more focused degree of financial commitment and almost no statements on market failure were made in the second half of the observation period. That is, for *DMGT*, a focused financial commitment seems to be related to higher market success. In addition, when accounting for delayed effects of resource structuring changes on market performance, trans-

formations of the past five years pay off for *DMGT*. For *Ringier*, an increasing share of resource structuring activities is related to a positive profit margin level since 2010. However, since strategy changes in marketing and online activities require financial commitment as well and *NZZ*, *Tamedia*, and *GMG* mentioned these areas of strategy transformation at high shares, it is difficult to demonstrate a clear relation between rapid or early strategic transformations and market performance. Steady and diverse strategic transformations may result in better market performance—or, vice versa, a strongly negative market performance results in steady and more fundamental strategic transformations. If this is true, *NZZ*'s as well as *Tamedia*'s market performance can be expected to increase due to more diverse areas of strategic transformation that were mentioned in 2013.

H4, **H5** and **H6** suggest that the less profit-oriented organisation, *GMG*, increased resources more often, adapted product-market/diversification strategies more often, and operational strategies less often. Compared to *DMGT* and *Ringier*, *GMG*'s shares of resource strategy adaptation were not higher. However, *GMG* mentioned making general investments more often in the second half of the observation period than *DMGT* and *Ringier*. Thus, **H4** is partially supported by the results. *GMG* mentioned the most strategic transformations and online activities on average per year (twelve and three, respectively) compared to the other news organisations—which may also be due to the length of its annual reports. However, the *GMG* shares (as opposed to absolute numbers) of online activities were not higher than those of *NZZ* and *Tamedia*. Thus, **H5** is also only partially supported. Profit-oriented news organisations also only partly stated intentions to adapt operational strategies more often than *GMG*. In fact in 2008/9, *GMG* mentioned more often its intentions to adapt operational strategies than the profit-oriented news outlets. Thus, **H6** is also only partially supported at most. In contrast, results on strategy transformation reveal that *GMG* reacted stably with a greater variety in fields of strategy adaptation than profit-oriented news outlets. Thus, *GMG*'s resources allowed constant adaptation in various strategic areas. Hence, findings partially support that news organisations with lower profit orientation are equipped with more resources and are able to take risks and renew, as argued by Krumsvik et al. (2013). However, the Swiss news media organisations were equipped with sufficient financial resources but they adapted more slowly and less fundamentally. This shows that the availability of resources alone is not sufficient to induce transformation, but the economic environment has to exert pressure to the organisation's revenue model and the organisational culture has to acknowledge change.

As a major limitation of this study, the validity of results is limited due to data collection based on statements in annual reports, which represent strategic communication instruments. First, statements can be expected to be biased in order to attract and maintain shareholders. Secondly, the bias may vary among organisations that have a greater or lesser need to attract and maintain shareholders. *Tamedia* and *DMGT* have the greatest incentive to attract and maintain shareholders within the sample since a part of their shares are publicly traded. In contrast, for *NZZ*, *Ringier*, and *GMG*, whose shares are not publicly traded, this goal may be much less relevant. Third, the structure of annual reports varies for some organisations over the years as described in Section 0, which considerably decreases the comparability over time, especially for the last two years of the observation period for *GMG*. A direct comparison between company revenue and market success and failure statements in the financial report revealed a positive relation in many cases. Thus, one may conclude that statements in annual reports reveal much of the real situation and operations of an organisation. The author finds the coding and analysis of annual report statements useful also for identifying corporate sensemaking in Weick et al.'s (2005) sense and areas of strategy transformation. Future studies could try to control the potential strategic communication bias concerning investor relations of annual reports. Indicators for corporate culture and competence configuring may be found in job advertise-

ments or strategic communication documents targeted to other stakeholders of the news media organisation across years.

Although the news media organisation selection holds the economic and cultural capital of legacy news organisations (in terms of the professionals and their audience shares) across outlet types and across countries roughly similar, and although cross-organisational differences can be drawn back to environmental characteristics (Benson et al., 2012), organisational differences impede a comparison across organisations. Not only an annual report bias but also different ownership types have to be considered when comparing news organisations since, for example, risks may differ for family owned companies (Picard, 2004a) and thus areas of strategy transformation may differ accordingly. A further weakness results from the varying turnover contribution of the business unit with the major national news outlets to the overall turnover, which differs from less than half to almost 100% across news media organisations as well as over time (see Table 2). This can affect the scope of strategic decisions made for the news outlet business unit and hampers comparability across news media organisations.

An analytical shortcoming is that the proposed hypotheses were not statistically tested due to the small number of organisations observed and the qualitative approach of the study. Thus, the hypotheses have a propositional character. Especially in order to approach the relation between strategic transformation and market success, more quantitative measures enabling statistical testing are desirable. In addition, financial operation ratios to measure for financial market performance could be used, as in Oliver's (2014) study of UK television broadcasters. The return on capital employed, net profit margin or asset turnover can measure the assets used by a company to generate profit, the percentage profit of each British Pound or Swiss Franc, and how efficiently assets are used to generate revenue (Oliver, 2014, pp. 60–61). Following Küng (2004), analyses of market performance should be made for business units instead of the whole organisation. Since different sub-units within one organisation change faster than others as revealed by Maijanen and Jantunen (2014), sub-units within a business unit should be considered, if possible.

6. Conclusions and implications

This study investigates the relationships between organisational sensemaking of environmental changes, corporate strategy, and market performance of news media organisations in a time of technological change and the recession associated with the financial crisis. Findings are based on a longitudinal (1) qualitative content analysis of main statements and events concerning online activities per year and (2) quantitative content analysis of corporate culture, environmental sensemaking, strategic transformations, and market success of annual reports of three major Swiss and two exceptional UK news media organisations from 2005 to 2013/14.

The study asks the key question how news media organisations adapt to environmental changes in order to remain successful on the audience and advertiser markets. The goal is to assess how the responses to challenges and opportunities of the digital age of major Swiss news organisations deviate from successfully innovating UK news organisations. The aspects of the corporate environment, culture, sensemaking, strategy, and market performance are associated based on an institutional, ecological, and management theory frameworks. A pluralist multi-lens approach as requested in Küng (2004) helps to understand various determinants of media market performance.

The paper theoretically argues that the perception of the environment by an organisation and a corporate culture 'allowing' change are key to organisational transformation. Corporate culture deter-

mines environmental sensemaking that influences the progressiveness of strategy making, which in turn provides the basis for market performance. In a feedback loop, market performance determines the scope and scale of future strategy making, especially those concerning the financial commitment of a firm. Thus, a change in corporate *strategy* results from an organisational renewal process coerced by *sensemaking of environmental* change determined by *corporate culture*. Hendriks' (1995) model of coordination strategies in media organisations is enhanced to offer a comprehensible model for analysing environment-strategy-market performance relations for news media organisations. Technology and the general economy are environmental matters that are given close attention and are related to organisational strategy transformation, because both likely alter audience and advertiser behaviour on the task environment of an organisation. Technological advances and the economic situation exert pressure on the organisation and are important objects of the macro environment of a news media organisation able to trigger transformation. To complement the resulting model, a theoretical continuum of inert and rapid strategic responses is developed.

The observed news media organisations are part business and part institution as proposed by Lowrey and Woo (2010), since aspects of incremental and inert as well as rapid and fundamental strategic behaviour are found—but to a different extent. Results confirm the notion of Ocasio (1997, p. 202) that “Inertia, inappropriate change, or successful adaptation may result from situated attentional processes”. Analysis shows that the first challenge for incumbents is the ability to “diagnose the nature of any technological change correctly” (Küng, 2013, p. 10), which is determined by its corporate culture. This ability of sensing and seizing threats and opportunities also determine the creation of ideas for a possible future direction for a news organisation. In line with Meyer (2009), the author concludes that a resilient culture is to blame for the inability of a news media organisation to change in the digital era. Yet cultural aspects operate combined with environmental pressure. Although it is argued that incumbent news organisations may not react rapidly enough to environmental changes (Ala-Fossi et al., 2008; Küng, Leandros, Picard, Schroeder, & van der Wurff, 2008), this study claims that the observed news organisations do react at an appropriate pace. The observed news organisations “have naturally adapted their business and corporate strategies in face of these [environmental] changes” (Doyle, 2013, p. 35). More slowly adapting news organisations were not as strongly forced to change by their macro and task environments. The Swiss news organizations did not experience vastly negative profit margins during the financial crisis as opposed to the two UK news organisations. Although developments on other media markets were sensed, these did not trigger adaptation in the Swiss publishing houses as long as the pressure of the macro on the task environment was acceptable for the news organisation. The market performance resulting from the task environment level functions as catalyst for organisational change that is accelerated if the corporate culture allows for an opportunistic interpretation of the corporate environment. However, profit margins have been decreasing for two Swiss news organisations within the past three years of the observation period. From the plurality of areas of environmental perception and strategic transformation in the 2013 annual reports of the Swiss news media organisations, it can be concluded that they are approaching an advanced stage of online adaptation.

Overall, deteriorating market conditions work to push and a change-enhancing corporate culture to pull organisational change in the digital age. A change-enhancing corporate culture is an important basic condition for a firm's ability to sense and seize opportunities (rather than threats) and its flexibility in a constantly changing environment.

Media managers should regard a change-enhancing, forward-looking corporate culture as a powerful success factor. When pressure increases on news organisations, an organisation with a forward-looking corporate culture may be better able to develop ideas for future success and thus better respond to such pressure. Managers should put emphasis in building and sustaining an open-minded

corporate culture that is open to change, and should strive to identify opportunities of new technology instead of focusing on damage limitation induced by threat interpretations. Although traditional products were successful and may still be, this residual fit must not restrain at least incremental inventing and investing in the opportunities from new technology. Innovation requires greater financial commitment—especially if half of the innovations introduced by newspaper publishers may fail, as found by Bakker (2013). Thus, finding the ‘right’ idea for change may involve a trial and error process that is connected to at least short-term reductions in profit margins, in addition to decreasing revenues.

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